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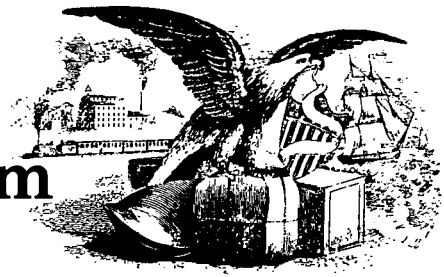
Lawrence W. Reed

The Case Against Protectionism



ONE THING we learn from history is that hardly anyone ever learns from history! Mistakes made in the past, some on a grand and glaring scale, have been repeated again and again. This is true particularly of the policies of central governments.

International trade presently reflects the consequences of a mass lapse of memory. During the dark days of the Great Depression the world learned the painful lesson that rampant economic nationalism leads to a breakdown in world trade. The "isolationist economics" of the 1930s did much to prolong and deepen the agony of depression.

Much of the post World War II era was marked by a gradual return to relatively free trade. Barriers to commerce came down. Goods and services crossed national borders once again. Between 1938 and 1970 the value of world exports increased thirteenfold, from $23.5 billion to $311.5 billon.[1] With this expansion of peaceful, voluntary, and constructive activity came a wider division of labor and general prosperity.

The volume of world exports in the 1970s for the most part continued to grow. But a complicating factor emerged which has slowed the trend and threatens a return to the practices of the 1930s. The governments of the world are rapidly rejecting the logic and benefits of free trade. The specter of *protectionism* has reared its ugly head once again.

Protectionism is the policy of using coercion to restrict the importation of foreign goods, allegedly for the good of the domestic economy. Gov-

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ernments around the globe increasingly are employing it through higher tariffs, import quotas, exchange controls, and other artificial, political roadblocks. Market transactions in oil, soybeans, airline tickets, gold, bank loans and almost any other imaginable product or service routinely and hourly cross national boundaries on a vast scale, creating international markets and market prices. Both theory and history tell us that government policies which ignore this process or try to contravene it for national advantage must have deleterious effects.

The list of new and proposed restrictions, however, is growing almost daily. For example:

1. American steel manufacturers have filed suits charging "unfair competition" from Japanese and European steelmakers.

2. Florida tomato growers are demanding "protection" from Mexican tomatoes.

3. British manufacturers of greeting cards are calling for limits on Christmas cards imported from the Soviet Union.

4. The French government recently vetoed a French company's purchase of four Japanese container ships and offered instead a $40 million subsidy to the company so it could buy ships built in France.

5. The governments of the Common Market countries caved in to demands that they restrict the import of acrylic fibers by American producers.

6. British shoe producers are appealing for import restrictions against shoes made in Brazil, Czechoslovakia, and Poland, claiming that these countries are dumping shoes in Britain.

7. The Italian car maker Fiat enlisted government support to block a deal between Alfa-Romeo and Japan's Nissan Motors which would have given Nissan a foothold in the Italian market.

8. Auto makers and auto unions in the U. S. are lobbying for punitive measures against foreign imports.

9. Meanwhile, in Britain, the Transport Workers Union has launched a campaign to keep all foreign-built cars out of British salesrooms after 1980.

One expert on the world economy estimates that more than 46% of world trade is controlled by governments through various measures—up from 40% in 1974. Agricultural trade remains as fully controlled as ever, but more than 21% of trade in manufactured goods is now regulated, up sharply from 13% six years ago.[2]

The vocabulary of the protectionists indicates the seriousness with which they regard the "problem" of imports. The use of melodramatic, sometimes military, terms to de-

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scribe what is essentially a network of peaceful, voluntary transactions is quite prevalent. The entry of goods from outside national boundaries is variously referred to as an "invasion," an "assault," or a "flood."

Two hundred years ago when Americans cried "The British are coming! The British are coming!" it was a call to arms against an enemy who intended to do violence to life and property. Today, with equal fervor in some quarters, Americans are crying "The cars are coming! The cars are coming!" as if a foreigner selling a car to a dentist in Peoria constitutes an act of aggression.

Why Trade?

In dealing with this problem, it is instructive to pose the question: Why trade? The answer should be obvious: people trade because they want to acquire something! To get it, they offer something in exchange. The fundamental, universal principle of free exchange is that both sides to the transaction benefit.

This principle becomes abundantly clear when one recognizes that "nations" do not trade. A "nation" is a collective term for something which exists only in the abstract; it is not a living, breathing, acting, decision-making entity. Only *individuals* live, breathe, make decisions, act, and trade. What thinking individual would freely and consistently give up what he has in order to acquire things he values *less?*

So it is that trade is a natural development among men seeking to improve their individual welfare. It requires no central authority to decree it; it simply requires that the central authority stand aside and not hinder it! It takes the use of force (fines, taxes, prison sentences) for trade to disappear.

This use of force in international trade is gaining new respectability these days as an effective means to deal with what is known as "dumping." A somewhat nebulous concept, dumping has been defined as selling abroad below the cost of production or at a price lower than that prevailing in the exporter's home market.

No attempt has been made in American anti-dumping law to define "cost of production." What seems concrete to the legislator is slippery to the economist, who uses many different concepts of "cost," including "marginal," "average," and "total."

Steven E. Plaut, in an excellent article entitled "Why Dumping is Good for Us," explains the morass that this definitional problem has created:

> The bureaucratic process through which foreign producers are judged to be dumping is cumbersome. Any American businessman who believes his company has been hurt by cheap imports can file

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a complaint with the Commerce Department. After an investigation that can take up to eleven months, Commerce determines whether goods have been sold at "less than fair value." Simultaneously, the International Trade Commission decides whether such sales have been "injurious" to American industry. If both findings are positive, dumping in the legal sense is deemed to have occurred, and anti-dumping duties are levied. There is no penalty to the petitioner if he loses his case, which encourages a blizzard of filings.[3]

In a 1977 case concerning alleged dumping of Japanese steel plate, the U. S. Treasury decided that the Japanese firms were indeed dumping their steel. A crucial part of the finding involved adding an 8% profit to the Treasury's rather capricious computation of the Japanese firm's costs. As Lindley H. Clark of the *Wall Street Journal* stated, "If steelmakers have to get an 8% profit on everything they sell, many steel companies in the U. S. and elsewhere have been dumping quite a great deal of steel."[4]

The Fallacy Exploded

Anti-dumping levies are frequently proposed in the name of "fairness" in order to "equalize the conditions of production." The fallacy embedded in that notion was exploded by the French economist and statesman, Frederic Bastiat, a century and a half ago:

> To equalize the conditions of production is not only to obstruct exchange to some extent but also to attack exchange at its very foundations; for exchange is based precisely on the diversity, or, if you prefer, on the inequalities of fertility, skill, climate, and temperature, that you are seeking to eliminate. If Guienne sends wines to Brittany, and if Brittany sends wheat to Guienne, it is because these two provinces offer different conditions of production. Is international trade conducted on a different basis? Moreover, to attack the inequalities in conditions that give rise to exchange and that account for it is in effect to attack exchange itself. If the protectionists had the power to give legal effect to their convictions, they would reduce all men to the snail's life of utter isolation.[5]

Bastiat's conclusion is inescapable: it is always beneficial for a nation to specialize in what it can produce best, and then trade with others to acquire goods at costs lower than it would take to produce them at home.

Certainly American auto makers, some of whom are urging their fellow citizens to "buy American" and the U. S. Congress to restrict imports of foreign cars, understand Bastiat's principle when they act as "buyers" in the market. Finding a truly all-American car these days is virtually impossible. Almost everything Detroit turns out contains components, from engines to brakes, which are made in other countries.

Purchasing these quality parts at

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the lowest price helps keep the American auto industry competitive, regardless of where those parts originate.

A Mercantilist Notion

The charge that foreign manufacturers will "dump" their goods until domestic competitors are forced to close and then raise prices to exploit a market devoid of competition dates back at least to the mercantilist era. In those days, it was believed that a domestic manufacturer had a "right" to the local business. Those consumers who would have preferred foreign products were prevented from buying them by restrictive legislation. The result was a reduction in efficiency and competition, higher prices and fewer choices to the consumer, and ultimately less attractive employment opportunities.

Moreover, to quote Steven Plaut again,

> . . .predatory dumping that reduces competition, like a domestic price war, involves a period of gain for consumers (or the consuming country) followed by a period of loss, as the emerging monopolist or oligopolists extract excess profits. Dumping will result in a net national loss for the importing country only if the eventual loss outweighs the earlier gain. There has never been a well-documented case of net consumer loss resulting from a domestic price war. Nor is there convincing evidence of a single case in which a country suffered a net loss from dumping.[6]

Whichever definition of the word one employs, "dumping" has some very rational explanations in its favor. What about the legitimate concept of variable pricing, for instance, which involves different prices in different markets because supply and demand conditions are not everywhere identical?

Sometimes dumping occurs with products which are no longer in great demand in home markets, left over when models change, or outlawed for domestic political reasons.

At other times, a foreigner will attempt to acquire a market share in another country by offering his wares at cut rate. Is that any different from the corner grocery store which advertises toothpaste at 50¢ off in order to get customers in the store?

Under other circumstances, a producer may maintain a certain output during an economic decline at home and sell his products abroad at "below cost" because the alternative of closing for the duration of the decline would be even more costly.

And because of price and exchange rate fluctuations which may take place over the life of a sales contract, the final sales price of imported products could easily end up below cost or below the domestic price.

No free trade advocate should ever argue that free trade makes life easy for every domestic producer. While

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broadening the choices open to consumers, it can simultaneously deny a producer the security of a guaranteed home market. But any policy of protectionism designed to provide that security will do harm to consumers. Too often we see the good that restricting imports might do for a few and ignore the very real injury which would be inflicted on the many. There simply is no escaping the fact that protectionism as an idea does violence to the logic of liberty, peace, and economics.

For the true libertarian, the liberty argument against protectionism ought to be sufficient refutation by itself. Humans have a natural right to be free from arbitrary interference in their peaceful affairs. Trade restrictions disrupt and punish a peaceful, voluntary, and mutually-beneficial activity. The legitimate function of government is to prevent and punish violence, not to initiate it. Protectionism must be regarded as a manifest violation of liberty, and its advocates must tell us what earthly goal their policy serves that is greater than human liberty.

Peace Through Trade

The peace argument against trade controls was well summarized by Professor W. M. Curtiss in his book, *The Tariff Idea*: "If goods do not cross frontiers, armies will!"[7] In other words, when people sever their economic ties, war becomes a distinct possibility. The course of events is painfully repetitious to the historian: one side raises trade barriers, the other retaliates, and the war of words subsequently degenerates into armed conflict.

As long as people are free to reap the benefits of trade, they have a direct and immediate interest in tranquil relations. But raise the tariff and close the borders, as was done in the 1930s, and relations deteriorate. What a nation cannot get through trade, it may attempt to take at gunpoint.

For hundreds of years prior to 1815, Britain and France were at each other's throats. During this long period of antagonism, inhibiting trade was national policy in both countries. After 1815, under the influence of the free trade notions of Adam Smith, the two countries reduced their barriers and have since enjoyed peaceful political relations. This is no mere coincidence. So as each brick is mortared to the protectionist wall, those who argue in its favor must tell us why peace is not important.

Preventing free trade fails to make any economic sense as well. Though it may benefit (at least in the short run) domestic industries by reducing competition from abroad, the economic harm done by it is nonetheless real and identifiable.

Just who is harmed economically

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by a tariff, for instance? First, all individuals who purchase a product upon which the tariff is levied. By the amount of the tariff, they now have less wealth than they would have had without it. They are that much poorer.

Next, all those domestic businesses which now sell less to Americans because Americans must spend more for the "tariffed" items.

Then, all those domestic businesses which now export fewer goods to foreigners because foreigners earn fewer dollars in America to pay for those American exports. That's not an insignificant point if one considers that one out of every eight manufacturing jobs in this country produces for export, one out of every three acres of American farmland produces for export, more than half of our wheat, soybeans, and rice is sold abroad, and almost one out of every three dollars of U. S. corporate profits comes from international activities of U. S. firms.

And finally, *everybody* loses as the advantages of international specialization and lower cost production evaporate. The situation is even worse if, instead of a tariff, restrictions are imposed which deny entry of the foreign good altogether.

Such detailed argumentation would not be necessary if men understood what the very concept of protectionism represents. In a nutshell, protectionism pulls people apart. It does not enhance cooperation. It makes exchange not easier, but more difficult. It raises barriers, obstructions, roadblocks, and impediments. It *creates* problems; it does not solve them. The progress of mankind has not come from making life more difficult!

As the rising tide of protectionism hangs over the world like a Damocles' Sword, the centerpiece of American foreign policy ought to be a ringing defense of free trade. Other nations may persist in their primitive policies of coercion, but let that not be cause for America to blow out the candle and leave us all in darkness. Our motto must be, "Let's import their goods, not their folly."

—FOOTNOTES—

[1]United Nations, *Statistical Yearbook*, 1971, p. 383.

[2]Philip Revzin, "Rising Barriers," *Wall Street Journal*, March 12, 1980, p. 1.

[3]Steven E. Plaut, "Why Dumping is Good for Us," *Fortune*, May 5, 1980, p. 213.

[4]Lindley H. Clark, "Analyzing Imports," *Wall Street Journal*, Nov. 1, 1977, p. 20.

[5]Frederic Bastiat, *Economic Sophisms* (Irvington-on-Hudson, New York: The Foundation for Economic Education, 1964), pp. 29-30.

[6]Plaut, p. 214.

[7]Curtiss, W. M., *The Tariff Idea* (Irvington-on-Hudson, New York: The Foundation for Economic Education, 1953), p. 80.

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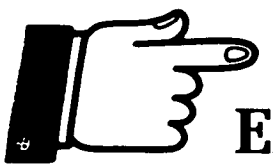
Ralph Bradford



Penalties on Employment

AMONG those who deplore the ravages of Big Government, there is a tendency to dwell upon aggregate figures, rather than on individual experiences. Emphasis is apt to be placed upon the billions that are being exacted from the taxpayers collectively and squandered by the bureaucrats upon seemingly useless activities.

Such concern, of course, is as it should be. More power to any writer or speaker who can find new ways to drive the message home convincingly! For the hour is late—very late. Slowly but surely our country is being reduced to bankruptcy in the name of alleged social and economic progress. And the people collectively are paying the bill and will ultimately suffer the consequences in a further stifling of initiative and curtailment of freedom.

But of late I have been thinking about what all this supergovernmentalism is doing to Jim Smith, Henry Jones, Mary Brown and millions of their social and economic counterparts as individuals—how much time and work and money they are forced to expend in ridiculously complicated, Federally-generated bookkeeping, reporting and fee paying.

My interest was further quickened by a letter that came to me not long ago from a mid-western friend of long standing. Before his retirement he was for years the General Manager of a large national Trade Association. He is also a Certified Public Accountant and a Financial Analyst; and he is therefore better

Mr. Bradford, of Ocala, Florida, is well known as a writer, poet, speaker, and business organization consultant.

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qualified than most taxpayers to keep records and fill out complicated forms. With his letter to me he enclosed a copy of one he had written to a high government official, in which he had set forth some of his experiences as an enforced paper shuffler.

And because his ordeal, with slight variations as to detail, has probably been duplicated by several million other Americans I am, with his permission, giving the gist of his experience in the following paragraphs.

* * *

First, as to his status, he is a retired businessman, a widower, who employs a part-time housekeeper. For twelve years after his wife died he employed a live-in housekeeper; but he reports that after her retirement (and after interviewing twenty other women) he has been unable to secure another. In his search he found that many women who formerly did domestic work now dwell in government-subsidized apartments at low rentals, and subsist on Federal Social Security payments, bank interest, and other types of income. But he has also found, he adds, that such women seem pleased with their situations. While their incomes are low and their living standards are not high, they are generally happy, since "they do not have to work." Their desire and will to work, he believes, have been destroyed.

His present part-time domestic employee, he reports, is paid the Federal minimum hourly wage, together with her meals and several other benefits; but in order to employ her legally he is *required to execute and file thirteen different forms*, and pay a total of $442.35 a year in Federal Social Security taxes, and state and Federal unemployment insurance taxes. This he must do in order to be allowed to furnish employment to a person who seriously needs it!

The employee has both a heart and an eye condition that would make it very difficult for her to secure other employment. So his use of her services fills a real social need; and he says she is very happy with her work. *But* . . . . he must do all that paper work, and dig up nearly $450 over and above her wages, for the privilege of giving her employment that is beneficial to her and to society at large, as well as to him.

When she was first hired, he was required to prepare and file a paper called Form UC01—"a report to determine status of domestic employment." Then he had to file Form 327, to show that he is not a retailer, a wholesaler, or a manufacturer. Then every three months he is required to prepare and file Form 942 Federal Aid Security, pay 6.13 per cent of her wages in taxes and deduct that

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amount from her wages—a total tax of 12.26 per cent of her wages. At year's end he must prepare and file with Internal Revenue Sevice Form W 2, showing her total wages and taxes—and a copy of this report must also be given to the employee.

Then every three months he must also prepare and file Form UC-D, namely, Employer's Contribution Report for Unemployment Insurance, together with Form UC 3-T; and must pay 3 per cent of her wages in such taxes. Incidentally, another form, which shows the employee's name, Social Security number and the amount of such taxes in her case, must be sent to a Michigan Avenue address in Chicago, whereas the other form (UC 3-T) must be sent to a different Chicago address.

Endless Filing and Duplicate Reporting

Maybe there is some matter of bureaucratic efficiency or convenience involved in such a requirement, but one wonders why these two reports couldn't be combined and sent to the same address, thus saving printing costs, extra envelopes, and extra postage cost to the taxpayers. A small matter of maybe only fifty cents or less to each individual? Yes —but not small when you multiply it by many thousands, and possibly by several million.

But my employer friend is not yet finished with his paper work. At the end of each year he has to prepare and file Form 940, the Employer's Annual Federal Unemployment return, showing the total wages paid to his part-time housekeeper. At the same time, he must pay 7 per cent in taxes to the Internal Revenue Service.

He tells me that he could also face the possibility of completing and filing twelve more forms each year. This could happen if his four-days-a-week housekeeper, who pays a total of about $150 a year in Federal and Illinois income taxes, should ask him to withhold such Illinois taxes from her pay, so she would not have to make the single payment on April 15th. This would involve his completing Form IL 501 (Illinois Employers Income Tax) on the first and second months of each calendar quarter, paying such withheld taxes, and then completing and filing another form (IL 941) showing total wages for the quarter, on the third month of each quarter. These three forms and three remittances would be mailed quarterly to the Illinois Department of Revenue at Springfield. So far my employer-friend has been spared this particular load of paper work; but it would be required of him if his employee should decide she wants him to withhold these taxes from her pay. If this should happen, he estimates that a minimum of two and a half days of time each year would be required to com-

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plete, file, record, issue checks, and mail, in order to comply with the law.

Rules and Regulations

For many years defenders of the so-called liberal program of our government (high employment at good wages with attendant social benefits) have sung the praises of its alleged advantages. Seldom do they mention the wasteful, time-consuming, sometimes ridiculous rules and regulations that have become a part of that program.

To some extent this results from the long-established "liberal" notion of labor as an abused commodity—a mass of underprivileged, downtrodden wage slaves; and of employers as big-bellied cartoon types, or as huge and soulless aggregations of capital. Partly it inheres in any bureaucratic management of the minutiae of our lives.

Apologists for the system of so-called benefits for thousands of marginally-employed workers are either unaware of or indifferent to the problems faced by the employers of such labor, who are almost as numerous as the workers themselves. An example is the case of my friend, who, because he employs a part-time housekeeper, must prepare and mail 13 different forms, and possibly 12 more forms for a yearly total of 25; must enter in his personal financial records the figures upon which to base the issuance of nine checks for a total yearly payment of $442.35 in Federal Social Security taxes, plus both Federal and Illinois State unemployment insurance taxes on the cash wages of $4500.

On top of all this, he says that domestic employment in 1980 will come under the Illinois Workmen's Compensation Act, and he will have to secure an appropriate insurance policy at an annual premium of about $75. This coverage, he notes, would be included at very low cost to him (only $4.75 per year) under the liability section of his regular Homeowner's Insurance policy! Thus an employer is again to be penalized for furnishing some much-needed employment and income.

What is the alternative to such nonsense? One sensible way would be to allow the free-market economy to take its beneficial course. The problem is simple. A man needs a part-time housekeeper. A woman with some health problems is nevertheless able and anxious to perform the household tasks involved. She is willing and eager to work. He is anxious to employ her services. So . . . .

Why not simply let them strike their bargain without invoking and involving the ponderous, costly and time-consuming machinery of the U. S. Government and the State of Illinois? Such a program would, of course, be looked upon by the disci-

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ples of Statism as wrong, reprehensible and reactionary, and to propose it seriously is to invite their scornful condemnation.

There is, of course, another alternative. To mention it here is not to propose it, and certainly not to endorse it. I refer to the so-called underground system. Under it, neither employer nor employee makes any reports to government at any level. The wages are paid from hand to hand in cash on an agreed basis; nobody makes any reports; nobody pays any fees or taxes. Naturally such arrangements are not publicized, and nobody knows how widespread the practice may be.

Law-Breaking Encouraged

The evil in the "underground system" is that it encourages people to break the law, and causes disrespect for government. And the evil is not removed, even though it is perhaps slightly modified, by the gloomy fact that people who practice it do so to evade the senseless exactions of their own government!

Significant bits of light are cast on this problem in two letters received by my troubled friend. One was from the Nobel prize-winning economist and social philosopher, Dr. Milton Friedman. In his usual forthright way, Dr. Friedman said: "You wrote an excellent and clear letter to (the "high government official" above referred to) about the incredible paper work and taxes, just to employ a part-time housekeeper legally. *What a mess we are in.*"

By contrast, the other letter was from an assistant to the said high government official—written after some two month's delay in response to an urgent follow-up by my friend. It said:

"The amount of mail received . . . . . in recent months makes it impossible for us to respond . . . . with as much detail as we would like. However, you may be sure that we have noted your remarks."

Some day an inspired composer may set that line to soul-stirring music and give us a new National Anthem: "*Brother, we have noted your remarks*!"

Well . . . . there it is: One troubled and troubling echo from our statist society; one bit of honest protest; one small, exasperating incident which, multiplied by millions, ends in national frustration, and points to bankruptcy. And a nagging question keeps intruding:

Is it possible—just possible—that somewhere in the crowded corridors of Washington and other capital cities there is room for the exercise of a little ordinary horse sense?

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Roger Ream

THE ENEMIES OF PRODUCTION

WHAT Ralph Nader and his associates advertised as Big Business Day on April 17, 1980 was aimed at generating mass public support for legislation to curtail corporate power—to fight "Crime in the Suites." Counter-demonstrations were organized to commemorate the past achievements of the enterprise economy and demonstrate a national consensus on the need for economic policies that promote jobs and prosperity.

This important debate involves the question of growth versus no-growth. It is a question of economic progress and material prosperity versus stagnation, unemployment and poverty. Is it time for sacrifice; time to pursue policies of zero economic growth; time to write an obituary for the American Dream? Or can we continue to have an expanding economic pie, with a larger share for everyone?

More importantly, however, this debate boils down to the question of human liberty. Proponents of the no-growth mentality are siding with the collectivists in the historic struggle between individual freedom versus government control. It is imperative, therefore, that those who cherish liberty understand the issues involved in this latest attempt to expand the power of the state.

Ironically, Big Business Day 1980 occurred on the eve of the anniversary of Lexington and Concord—the shot heard round the world. Some of the most vocal advocates for increasing the role of government in business and consumer decisions

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selected a week that celebrates the beginning of the American Revolution to voice their views.

A New Tyranny

One of the reasons for severing the ties with England was that King George III and Parliament were trying to tax and regulate commerce and industry—business. In the Declaration of Independence, Thomas Jefferson charged that George III had "erected a multitude of offices and sent hither swarms of officers to harass our people and eat out their substance." This is exactly what we see happening today, only there is a new tyranny in the place of George III. This new tyranny is being imposed through the implementation of proposals espoused by "the new adversary class." They "have erected a multitude of offices"—OSHA, the EPA, FTC, CPSC, DOE, CSA, FDA, ad infinitum—and "sent hither swarms of officers"—agents, inspectors, lawyers, and the like—"to harass our people and eat out their substance"—our productivity and our wealth.

The danger posed by this new class is that they are using the power of the state to bring about the changes they desire. They want to force compliance with what they determine are the right policies to pursue and the proper way to live one's life. They are statists. As a result, government is playing a much greater role in our lives. Even aside from the massive increase in public sector consumption of private sector wealth, the extent of the regulatory activities of government is alarming. We have almost totally abandoned the original concept of a government of limited and enumerated powers.

Anyone not convinced of this ominous trend need only pick up the daily newspaper, particularly one that covers business news. Without making any value judgment as to whether a particular government activity is good or bad, just notice the extent to which government is involved in every economic transaction. For example, here are a few of the stories in a recent issue of the *Wall Street Journal:*

- FAA May Go to Court Over Limits Set on Use of California Airports
- Auto Warranty Services Are Studied by the FTC
- TWA Seeks Authority from CAB for New Route
- California Utility Fined for Safety Violations
- Oklahoma G&E Wins Temporary Rate Boost
- Revenue From Carter's Import Fee on Oil is $10 Billion Prize Sought by Everyone
- More Banks Take Steps to Place Restrictions on Loans to Consumers to Stay Within Federal Reserve Guidelines

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This increase in the power and especially the scope of government is a major change which warrants attention.

Special Interest Legislation

There are two major causes for this trend toward big government. The first occurred very early in U.S. history as individuals, often businessmen, realized they could obtain special privileges from government. Special interests sought grants, subsidies, exclusive licenses and various forms of protective legislation. This was the history of most early regulatory agencies. They were created to protect the "public interest" but soon fell into the hands of the special interests. They were "captured" by the very industries they were supposed to regulate. As a result, they aided and protected various vested interests. One need only visit the halls of Congress and observe trade associations, labor leaders, and businessmen lobbying for various types of special interest legislation to realize that this factor in the growth of government continues today.

The reason this type of plunder has been so successful and is still going on is because, as Milton Friedman and others have pointed out, the benefits are concentrated in the hands of a few, while the costs are diffused among millions of taxpayers. For example, a particular industry lobbies in Washington, D.C., for a subsidy of ten million dollars. This benefit is concentrated. With $10 million at stake, the industry will hire lobbyists to wine and dine Congressmen; they may form a political action committee to distribute thousands of dollars to the re-election campaigns of Congressmen favorable to their subsidy. In short, the benefit is concentrated so potential recipients will go all out to obtain it.

On the other hand, the dollar costs are diffused. The subsidy will be collected from taxes, both direct and hidden, levied on millions of taxpayers. A subsidy of $10 million to a special interest is not much to excite a taxpayer, since his share of the $10 million is, on average, less than a dime. It would cost a taxpayer more than that to write a letter or telephone his Congressman to protest this subsidy. The cost is diffused. This is why there has never been much vocal opposition to the specific subsidies granted special interests; taxpayers simply, and quite naturally, don't feel the added burden of each specific program.

This scheme is even more effective when the subsidy is in a nonmonetary form—a protective tariff, a licensing law, an increase in the minimum wage, and so forth. In these cases not only are the dollar costs diffused, but they are hidden, usually in the prices of goods and

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services. These are ideal subsidies from the standpoint of politicians since the dollar costs are usually in the form of higher prices, not higher taxes. Furthermore, the costs are often in terms of what is unseen—goods which are never produced or tasks which are not profitable to complete.

This is the first reason for the growth of government—special interests engage in legalized plunder because the benefits are concentrated, while the costs are diffused and hidden.

The New Adversary Class

The second major cause is the advocacy and lobbying by the "new adversary class." This trend is responsible for much of the regulation of recent years. Self-proclaimed consumer, environmental, and worker interests have managed to use government to force compliance with goals they view as socially desirable. These are generally sincere, well-motivated individuals. They want Americans to drive safe cars; they want our energy sources to be environmentally safe; and they want to eliminate hazards in the workplace—all laudable goals. These advocates of economic democracy even claim to support competition and human liberty. The tragedy of this is that while many of them seek such lofty objectives, the policies they advocate would take us in the opposite direction. Their proposals would lead to an increased centralization of power, reduced production, less competition, and greatly diminished human liberty, not only for businessmen but also for consumers, workers, and shareholders. In short, we would be further down the road to serfdom.

A brief look at some of the so-called evils of big business demonstrates that advocates of economic democracy have faulty powers of observation and little understanding of the free market process. Furthermore, most seem to lack any fundamental principles that might serve as restraints against unlimited expediency.

They are horrified by giant corporations because they are giant. Big is bad, they claim. Yet they fail to understand how—in a free market—a corporation becomes a giant corporation. It can grow only if consumers *voluntarily* buy the product it offers, only if workers *voluntarily* work for the wages it can pay, and only if individuals with savings will *voluntarily* invest their capital in the corporation. In short, it achieves bigness only by convincing individuals that it is in their self-interest to voluntarily associate with the corporation.

In his excellent book, *In Defense of the Corporation,* Robert Hessen describes the situation as follows: "Combining the capital of millions

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of investors and talents of millions of workers, giant corporations are a testament to the ability of free men, motivated by self-interest, to engage in sustained, large-scale, peaceful cooperation for their mutual benefit and enrichment. As a result, Americans today enjoy a standard of living—of luxury, leisure and longevity—that is unprecedented in world history and unparalleled in contemporary socialist societies."

But not only is big business bad simply because it is big, we are told, but also because it is powerful. Bigness means power, critics claim. This view indicates a poor understanding of the role of consumers in a free market and how they determine profit and loss. The charge that businessmen are primarily after profit is generally accurate. For most, this is true. However, this should not be considered a derogatory remark. It is precisely the desire for profit that drives businessmen into the never-ending effort to fulfill consumer desires.

The Consumers Are in Charge

Rather than consumers being at the mercy of giant corporations, as "consumerists" charge, it is the other way around. In a free society, it is consumers, through their everyday purchasing decisions, who hold life and death power over corporations. This is true consumer sovereignty. Businesses spend millions of dollars every year trying to determine what consumers want. It is consumers who ultimately decide what products are brought to the market, which sellers will make a profit, and how high that profit will be.

This is another complaint of many critics of capitalism—that profits are too high or that they come at the expense of workers and consumers. Most businessmen try to defend their profits with all sorts of figures showing that profits are being misreported or misunderstood—that they are really very low. However, this ignores what profit is. Profit is an indication of the efficient use of scarce land, labor and capital. Losses are an indication of the inefficient use of these resources. The way to increase profit is to use resources more efficiently. Those best served by the efficient use of scarce resources are the consumers. More efficient use of resources means more for less—more goods from a given or smaller amount of resources. Those who criticize profits, especially high profits, are criticizing consumers for casting their dollar votes in the marketplace for producers who employ resources most efficiently in serving consumers. In other words, those who attack profits are attacking consumers, not businessmen.

Just as important, from the standpoint of consumers, as the freedom to make a profit is the free-

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dom to make mistakes—the freedom to fail. Ours is a profit and *loss* system. Only producers who respond to consumer demands in an efficient manner will survive. As Dr. Bertel M. Sparks wrote in the June, 1975 *Freeman*, ". . . every time the government intervenes to prop up a failing business or to restrain the operation of a successful one, the government is using the consumer's hard-earned tax dollars to veto the consumer's wishes that have already been registered in the market place."

The Responsibility of Management toward Shareholders

Shareholders and workers also have a veto power over business, despite charges to the contrary by critics of the system. Proponents of corporate democracy charge that shareholders are not involved in the everyday decisions of corporations—they propose shareholder plebiscites on any action involving 10 per cent or more of the corporation's assets. The reality they overlook is that most shareholders do not desire to make the management decisions of a corporation. They buy stock because they don't have the time, talent, or desire to manage that portion of their savings. If they don't like what the corporation is doing they can sell their share of ownership. If enough other shareholders do likewise it is the corporation that will suffer and be subject to takeover or possible bankruptcy.

The responsibility of the officers and directors is to the owners—the shareholders—and this is usually a responsibility to maximize return on investment. If officers fail in this task they risk losing their positions in the business. The relationship of shareholders to a corporation is completely contractual and voluntary. Some social critics may not like it, but they have neither moral justification nor legal right to prohibit it.

A further criticism of big business is that because it is big and interested only in profit, it will overlook quality, particularly in the area of safety. The consumer protection movement, growing out of Ralph Nader's attack on the Corvair, believes government should mandate standards of safety producers must follow. Yet this overlooks the fact that safety is a matter of degree and a function of cost. In a free market, consumers will purchase safety up to the point at which the additional cost for safety outweighs the value they place on alternative uses of their money. From an efficiency standpoint, mandated safety generally means higher prices and therefore is a burden which hits the poor especially hard.

But the real question is whether government should prohibit individuals from *voluntarily* purchasing

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relatively unsafe products. If consumers do not desire to pay hundreds of dollars extra for an automobile with seat belts, air bags, and bumpers that absorb 30 M.P.H. collisions, should government force them to do so? The so-called "consumerists" want to force consumers to buy extras they arbitrarily determine consumers should have. But if consumers can't afford these extras, should they be forced to go without an automobile or continue driving older, less safe vehicles?

Yet, the overlooked reality in this situation is that businessmen try to produce what consumers want—if consumers indicate a desire for added safety features in products by voting for them with their dollars, producers will respond. As Dr. Sparks asks in the previously quoted article: ". . . if the buyer is not permitted to exercise his own judgment as to the suitability of a product for his purposes, who is to make that judgment for him? That is the critical question too often ignored by those who would deprive the consumer of his dominant role in the market place. . . . The real question is whether or not a person of mature years should be free to make mistakes."

The History of Capitalism

The historical record of capitalism is one of the improvement of the material condition of mankind. More importantly, but less recognized, capitalism is the only economic system consistent with freedom. Capitalism is a system that *has* worked, that *does* work, and that *can* work. Consumer, worker, businessman—all have benefited from the ingredients of capitalism: private property, the division of labor, peaceful and voluntary cooperation, diversity, opportunity, self-reliance, and an expanding economic pie. If you really have the interests of the consumer in mind, if you are truly concerned about the disadvantaged minorities, if you want to offer hope to the poor, then you must support the free market system.

But to say it *has,* it *does,* and it *will* work is not to say it is working. That is not a free market out there. We have adopted a mixed-economy, and it isn't working. Each regulation that is enacted has its costs, in terms of both personal freedom and economic efficiency. We've saddled our productive, free sector with so much taxation, red tape, regulation and control that it is slowing down. We can see the effects. It threatens the future of the American Dream and of our free society.

It is important that we advance our understanding of how the free market system works. We must acknowledge that profits are not something to apologize for—they are the mark of success. They indicate the efficient use of scarce resources in

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supplying consumers with the goods and services they want. The businessman who makes a profit is the genuine servant of the consumers.

Furthermore, it must be recognized that government can only control people. Government cannot control automobiles, it can only control the people who manufacture automobiles, or the consumers who wish to purchase them. Government cannot control wages or prices, only people. Price controls are people controls. A wage control intervenes in the voluntary agreement between an employee and an employer, denying each a certain degree of freedom. Attempts to use government to implement political, social or economic goals, no matter how desirable they may seem to be, require the use of coercion and therefore diminish precious freedom.

In Defense of the Market

The real consumer advocate is the individual who understands the free market process and is willing to defend it. A free market makes production and economic progress possible. To be a genuine consumer advocate one must support this system, for production is a necessary precedent to consumption. The policies of the self-proclaimed consumerists have so saddled our productive sector that they have imperiled the ability of business to respond to consumer demand. It is the ultimate in folly that opponents of production and economic progress have appropriated the title of consumer advocate. Their policies threaten the survival of our free, productive society and therefore make the consumer an endangered species.

IDEAS ON LIBERTY

Consumers Choose

CAPITALIST SOCIETY has no means of compelling a man to change his occupation or his place of work other than to reward those complying with the wants of the consumers by higher pay. It is precisely this kind of pressure which many people consider as unbearable and hope to see abolished under socialism. They are too dull to realize that the only alternative is to convey to the authorities full power to determine in what branch and at what place a man should work.

In his capacity as a consumer man is no less free. He alone decides what is more and what is less important for him. He chooses how to spend his money according to his own will.

LUDWIG VON MISES, *Human Action*

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Robert Bearce

AGAINST ALL ENEMIES

Part II

JOHN QUINCY ADAMS, sixth President of the United States, once observed: "Our Constitution professedly rests upon the good sense and attachment of the people. This basis, weak as it may appear, has not yet been found to fail."

Up until President Adams' administration and for many years afterwards, our Constitution did indeed work in the manner it was meant to work. Times have changed, though. Although the principles of the Constitution of the United States remain as strong as ever, we have seriously neglected and forsaken them. The Constitution itself is a rugged, foresighted document, but, as President Adams said, its effectiveness lies in how well we observe its provisions.

Tragically, too many Americans today have abandoned the faith of the Founding Fathers. Our Constitution has been trampled upon by government officials, members of the mass media, educators, other public-opinion molders, as well as the average citizen.

Consider for a moment how some Americans (particularly those serving in Congress) have manipulated the "general welfare" clause of the Constitution. The "general welfare" is mentioned in the preamble and in Article I, Section 8.

The preamble reads: "WE THE PEOPLE of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common

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In this three-part series, Robert Bearce of Houston, Texas identifies the basic principles of limited government as set forth in the Constitution of the United States. He shows how we have forsaken many of the basics, and points the way toward a restoration of freedom.

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defense, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America."

Article I, Section 8 of the Constitution mentions the "general welfare" in this way: "The Congress shall have the Power to lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common defense and general welfare of the United States . . ."

The preamble clearly defines the two major functions of government: (1) ensuring justice, personal freedom, and a free society where individuals are protected from domestic lawbreakers and criminals, (2) protecting the people of the United States from foreign aggressors.

No Special Privileges

When the Founding Fathers said that "WE THE PEOPLE" established the Constitution to "promote the general Welfare," they did not mean the federal government would have the power to aid education, build roads, and subsidize business. Likewise, Article I, Section 8 did not give Congress the right to use tax money for whatever social and economic programs Congress might think would be good for the "general welfare."

James Madison stated that the "general welfare" clause was not a freeway for Congress "to exercise every power which may be alleged to be necessary for the common defense or general welfare." If by the "general welfare," the Founding Fathers had meant any and all social, economic, or educational programs Congress wanted to create, there would have been no reason to list specific powers of Congress such as establishing courts and maintaining the armed forces. Those powers would simply have been included in one all-encompassing phrase, to "promote the general welfare."

Writing about the "general welfare" clause in 1791, Thomas Jefferson saw the danger of misinterpreting the Constitution. The danger in the hands of Senators and Congressmen was "that of instituting a Congress with power to do whatever would be for the good of the United States; and, as they would be the sole judges of the good or evil, it would be also a power to do whatever evil they please."

The Founding Fathers said in the preamble that one reason for establishing the Constitution was to "promote the general welfare." What they meant was that the Constitution and powers granted to the federal government were *not* to favor special interest groups or particular classes of people. There were to be no privileged individuals or groups in society. Neither minorities nor the majority was to be favored.

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Rather, the Constitution would promote the "general welfare" by ensuring a free society where free, self-responsible individuals—rich and poor, bankers and shopkeepers, employers and employees, farmers and blacksmiths—would enjoy "life, liberty, and the pursuit of happiness," rights expressed in the Declaration of Independence.

Quoting the Tenth Amendment, Jefferson wrote: "I consider the foundation of the Constitution as laid on this ground: That 'all powers not delegated to the United States, by the Constitution, nor prohibited by it to the States, are reserved to the States or to the people.' To take a single step beyond the boundaries thus specially drawn around the powers of Congress is to take possession of a boundless field of power, no longer susceptible of any definition."

A Monstrous Bureaucracy

Jefferson was correct in fearing that Congress could "take possession of a boundless field of power," but he was wrong in saying that such unlimited power could not be defined. It can indeed be defined by simply looking at the federal government of the United States today. There we see a "boundless field of power" in both little and big matters.

Unlike public officials during Jefferson's time, our modern-day legislators have a very loose interpretation of the Constitution. The result is that government has snowballed into a monstrous bureaucracy. Consider the power given to Congress by the Constitution in Article I, Section 8, clause 8: "To promote the Progress of Science and useful Arts. . ."

Does that mean Congress has the right to use our tax dollars to finance agencies like the National Science Foundation and the National Foundation on the Arts and Humanities?

Definitely not! The complete clause reads: "To promote the Progress of Science and useful arts, *by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries*" (emphasis added).

That's what the Founding Fathers meant by encouraging science and the arts. An appropriate Copyright Office was set up. Article I, Section 8, clause 8 is just one example of how the Constitution protects individual freedom and assures the individual the right to enjoy the fruits of his own labor, energy, and abilities.

Our present-day legislators, however, have ignored the Constitution as they pass legislation to help science and the arts. We now have the federally funded National Science Foundation, National Endowment for the Arts, and National Endowment for the Humanities. How do

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these federal programs spend our tax monies? Well, it has been reported that $130,000 from the National Science Foundation was used to study the evolution of the cricket. Another $46,000 was evidently spent by the National Endowment for the Arts to finance a film documentary on the history of the toilet. On the other hand, we are informed that for only $2,500 the National Endowment for the Humanities was able to finance a study on why tennis players are rude on tennis courts. A real bargain!

Undoubtedly, federal programs like the National Science Foundation have had some worthy results, but the benefits received are not the issue for discussion or debate. The problem is that such federal programs are unconstitutional. Rather than depending upon free individuals to encourage science and the arts through *voluntary* contributions to private foundations, Congress is taking money from some citizens and giving it to whomever it judges to be needy of federal handouts.

Congress Assumes Powers Beyond Intent of Founders

Congress is continually usurping its constitutional power, spending more of our tax dollars, and otherwise assuming obligations the Founding Fathers never meant it to undertake. For example, our generous government offers us such helpful publications as *And Now a Word About Your Shampoo, Keeping Your Pet Healthy,* and *Imaginative Ways With Bathrooms.* The really nice thing about these publications is that they are "free."

Now, it might be heartening to some people to know that our government wishes to advise us on how to plan or remodel our bathrooms, but are we to believe that federal funding for such publications is provided for in the Constitution?

The Constitution is being twisted and manhandled as our legislators toil in Congress to do what we can and should do for ourselves. One prominent Senator proudly lists in his legislative newsletter laws and proposals he has worked for in our behalf. These include a National Technology Act . . . federal subsidies for mass transit . . . a child abuse act . . . aid for bilingual education . . . a legal Services Corporation . . . an Arthritis Act . . . a Drug Utilization Improvement Act . . . subsidies for solar energy . . . monies for public service jobs, and so forth and so on.

The Senator's constituency, as well as all American citizens, should recall Jefferson's advice: " . . . Still one thing more, fellow citizens—a wise and frugal Government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of

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labor the bread it has earned. This is the sum of good government."

Yet, our federal government today rumbles on, disavowing the Constitution and taking from our "mouth of labor the bread it has earned" through taxation. Government grows bigger and more comprehensive as federal funds are spent for cooperative farm extension work . . . urban mass transit . . . child-nutrition programs . . . public housing . . . elementary and secondary education . . . air and water pollution control . . . rural-housing grants . . . minority business development . . . public broadcasting . . . adolescent health services and pregnancy prevention . . . boating safety assistance . . . new-community assistance grants . . . urban renewal, and so forth and so on.

A Free Economy

America's past progress in achieving material prosperity in a climate of freedom and human dignity did not come as a result of government intervention into social/economic matters. Our nation has prospered because we were true to the Constitution. The Founding Fathers believed that the role of government was to provide a political framework that would permit individuals to work together in voluntary cooperation, pursuing their own destinies. Individual initiative and personal responsibility—not government social and economic intervention—were the basis for stability and growth.

The critical question for us is how many of the federal government's departments, boards, projects, and agencies are constitutional. We should remember that elected and appointed public servants are sworn to support and defend the Constitution of the United States. Consider what the Constitution has to say about private property, and then think about how government has abused its authority.

The Fourth Amendment states: "The right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures, shall not be violated . . . "

The Fifth Amendment assures us that we will not "be deprived of life, liberty, or property, without due process of law . . . "

The Fourteenth Amendment states that citizens will not be deprived of "life, liberty, or property, without due process of law . . . "

Few government officials, if any, will deny that private property is a basic principle or right enjoyed by Americans. Yet, these same public officials support laws that have the effect of infringing upon our liberty and property.

Without the right to dispose of our property as we best see fit, the right to private property is mean-

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ingless. Our property includes everything from our homes or the business we might own to our earnings at whatever job or profession we have. Our pay checks are just as much a matter of private property as are our homes, automobiles, and TV sets. Government deprives us of liberty and property to the extent that it (1) tries to manage our economic lives for us; (2) prevents us from reaping the rewards of hard work and enjoying the fruits of our own property. Through unnecessary government regulations as well as excessive taxation we are not in full control of our property.

Private Property Protected

James Madison, known as the Father of the Constitution, understood that government interference threatens freedom and private property:

"That is not a just government, nor is property secure under it, where arbitrary restrictions, exemptions, and monopolies deny to part of its citizens that free use of their faculties, and free choice of their occupations, which not only constitute their property in the general sense of the word; but are the *means of acquiring property* so called."

Madison, Roger Sherman, and other men who wrote our Constitution achieved a wise, firm balance between personal liberty and government power. The Constitution has proven itself to be a stable but flexible document. Our problem today is that we have allowed flexibility to be interpreted as a blank check for government to do whatever it wishes. This is seen in the misinterpretation of the "general welfare" clause and the so-called "elastic clause" of Article I, Section 8 which says Congress shall have the power:

"To make all laws which shall be necessary and proper for carrying into Execution the foregoing Powers, and all other Powers vested by this Constitution in the Government of the United States, or in any Department or Office thereof."

Our government officials continually distort the meaning of the Constitution's "elastic clause." In doing so, they have stepped beyond the boundaries of limited, constitutional government. If he were alive today, James Madison would tell us that many government laws and programs might be useful, but they are certainly not "necessary and proper" according to the Constitution. He would remind us that no law is constitutional unless it is "necessary and proper" to carry out *specifically enumerated* powers given to the executive, legislative, or judicial branches of government by the Constitution.

The duty of the federal judiciary—the Supreme Court and lower federal courts—is to determine whether

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laws are constitutional and whether they have been broken. Just as both the executive and legislative branches of government have shown their contempt for the Constitution, so the judiciary has failed to carry out its legitimate responsibilities. Instead of rightfully interpreting the Constitution as a bulwark defending individual freedom against government oppression, many judges in our federal courts reject the Constitution and interpret it to agree with what *they* believe to be politically, economically, morally, or socially correct.

Meanwhile, Congress flouts the Constitution by not only making laws but also interpreting them and enforcing them—responsibilities of the judicial and executive arms of government. Countless agencies, commissions, departments, and boards set up by Congress issue burdensome, unconstitutional guidelines, regulations, and laws. What would the Founding Fathers think of this federal bureaucracy? They would recall what the Declaration of Independence had to say about government and the King of England.

"The history of the present King of Great Britain is a history of repeated injuries and usurpations, all having in direct object the establishment of an absolute Tyranny over these States . . . He has erected a multitude of New Offices, and sent hither swarms of Officers to harass our people, and eat out their substance."

Freedom Threatened

The patriots of the War for Independence fought to preserve freedom against a "multitude of New Offices" and "swarms of Officers." Later, the people of the United States adopted a Constitution designed to limit government authority and protect individual liberty. That freedom is threatened today, not so much from foreign aggression as from many of our own citizens who do not want to live by the principles of the Constitution.

Senators, members of the House of Representatives, and other government officeholders have sworn that they will support and defend the Constitution "against all enemies, foreign and domestic." Our public officials have also sworn to "bear true faith and allegiance" to the Constitution.

Are they living up to their oath of office? Are other citizens, "WE THE PEOPLE of the United States," bearing "true faith and allegiance" to the Constitution?

(Editor's note: "Against All Enemies" will be concluded in the next issue of *The Freeman*.)

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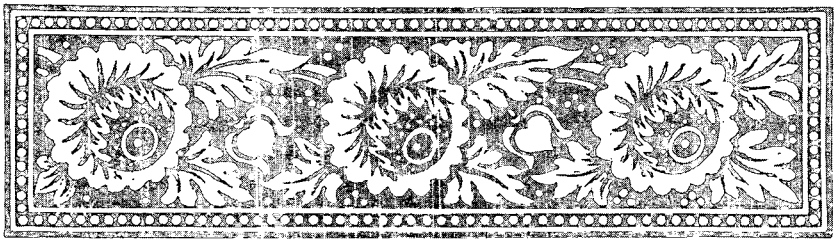

Samuel Smiles

SELF-IMPROVEMENT

To DO JUSTICE, a man must think well not only of himself, but of the duties which he owes to others! He must not aim too low, but regard man as created "a little lower than the angels." Let him think of his high destiny—of the eternal interests in which he has a part—of the great scheme of nature and providence—of the intellect with which he has been endowed—of the power of loving conferred upon him—of the home on earth provided for him; and he will cease to think meanly of himself. The poorest human being is the centre of two eternities, the Creator overshadowing all.

Hence, let every man respect himself—his body, his mind, his character. Self-respect, originating in self-love, instigates the first step of improvement. It stimulates a man to rise, to look upward, to develop his intelligence, to improve his condition. Self-respect is the root of most of the virtues—of cleanliness, chastity, reverence, honesty, sobriety. To think meanly of one's self is to sink—sometimes to descend a precipice at the bottom of which is infamy.

Every man can help himself to some extent. We are not mere straws thrown upon the current to mark its course; but possessed of freedom of action, endowed with power to stem the waves and rise above them, each marking out a course for himself. We can each elevate ourselves in the scale of moral being. We can cherish pure thoughts. We can perform good

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actions. We can live soberly and frugally. We can provide against the evil day. We can read good books, listen to wise teachers, and place ourselves under the divinest influences on earth. We can live for the highest purposes, and with the highest aims in view.

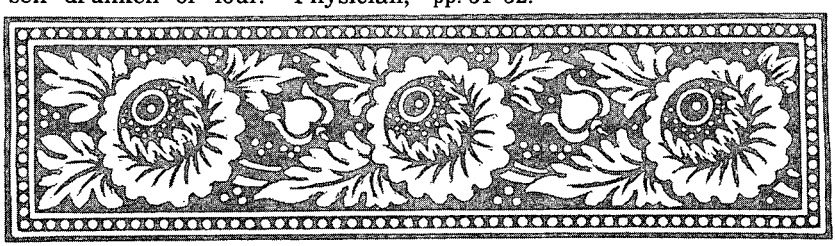
"Self-love and social are the same," says one of our poets. The man who improves himself, improves the world. . . . Society at large is but the reflex of individual conditions. . . .

Then again, a man, when he has improved himself, is better able to improve those who are brought into contact with him. He has more power. His sphere of vision is enlarged. He sees more clearly the defects in the condition of others that might be remedied. He can lend a more active helping hand to raise them. He has done his duty by himself, and can with more authority urge upon others the necessity of doing the like duty to themselves. How can a man be a social elevator, who is himself walking in the mire of self-indulgence? How can he teach sobriety or cleanliness, if he be himself drunken or foul? "Physician, heal thyself," is the answer of his neighbors.

Samuel Smiles (1812–1904) was born in Haddington, Scotland. He was trained as a medical doctor but gave up practice early in his career to become a journalist. He served as a railroad executive for several years before returning to writing. What fascinated him most were the possibilities of achievement for those who would study, work, save, invest, and innovate. Among his books are Self-Help (1859), Character (1871), Thrift (1875), and Duty (1880).

The sum and substance of our remarks is this: In all the individual reforms or improvements that we desire, we must begin with ourselves. We must exhibit our gospel in our own life. We must teach by our own example. If we would have others elevated, we must elevate ourselves. Each man can exhibit the results in his own person. He can begin with self-respect. ❁

From the book, *Thrift*, by Samuel Smiles (Chicago: Belfords, Clarke & Co., 1879), pp. 31–32.



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Joe Cobb

THE MYTH OF THE STABLE PRICE LEVEL

INFLATION has become a way of life for most Americans, changing the values they place on saving for the future as opposed to consuming luxury goods today. When all prices are seen as rising, why should you try to save up the cash for some purchase when you might buy it now on credit, and pay just a little bit more over the next several years. In financial circles, the emphasis is no longer on asset management but liability management. Inflation benefits the risk-taking speculator, not the conservative or prudent who dislike financial risks. The average citizen feels the pain, and public opinion polls reflect a demand for a stable price level.

Almost every economist would agree that a stable price level would be a desirable social objective. Some economists would argue that a little bit of inflation is a healthful tonic for a stagnant economy, but rare indeed is the economist who wants to see a declining price level. It is as if any general trend for prices to fall might cause some kind of economic disaster. A Great Crash in the stock market, perhaps, would recur.

The economists, however, who put their faith in a stable price level are *not really practicing economics* at all. They are indulging in politics. Certainly the line between economic policy analysis and political practice is a narrow one, but the difference is clear. An economist might look closely at the indirect economic effects of a government policy and make a professional judgment about the effects of the policy; but when he evaluates them as "good" or "bad"

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he is a mere politician, advocating a government action for reasons of his own.

The Idea Develops and Becomes Fashionable

The idea of a stable price level became fashionable during the early years of this century, after the political debates of the 1870-1910 period. For the first 25 years of this period, there was a slow and steady increase in the purchasing power of gold, followed by a relatively rapid drop in its purchasing power when gold was discovered in South Africa and the Klondike. In addition, the demand for gold increased following the Franco-Prussian war, when Germany adopted the gold standard; and throughout this era, Europe and America enjoyed rapid industrial growth. The heightened demand for capital and labor during this era of international peace and economic expansion had a predictable effect, at the margin, on the demand for money and credit.

There were several interest groups in the United States that demanded an inflationary monetary policy, to supply them with the capital and credit they thought they deserved. Many farmers, for example, unwisely mortgaged their properties at fixed rates of interest, and then saw a period of declining farm prices, lower interest rates, and the bankruptcy of marginal farming enterprises. Agricultural employment, you will recall, was giving way to relatively more productive industrial employment. But the politicians (and the economists) looked for a solution to the complaints of the farmers. There was the Greenback Movement that demanded inflation, and the free silver movement that had a similar program, but coining silver instead of printing paper money was their pet project since the Nevada silver miners were part of the coalition.

The economists came up with the idea that a declining price level is "bad" because debtors have to repay their loans with more valuable units of money than they borrowed. Since a free market adjustment to this situation might require a *negative interest rate,* they said it was impossible. After all, who ever had heard of a loan where you would repay less than you borrowed—even if the units of money themselves increased in value as the years rolled by? This, of course, was pure hidebound prejudice; they forgot that the market always adjusts to changing circumstances.

So the economists, playing the role of politicians, have decided that a stable price level is much better than a declining price level. For many years, also, there were economists like Paul Samuelson and John Maynard Keynes who argued that a little inflation is *better* than a stable

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price level, because they said it would stimulate employment, growth, and other good things. The stage was set by such politically-motivated economists to launch the Great Inflation of the 1970s.

Productivity and Declining Prices

Economic growth includes, among other things, the increase in capital investment and concomitant increase in the productivity of labor. There is every reason to believe that the free market, without government interference with the money supply, would bring about lower prices over time for various goods and services. The examples of the ballpoint pen or the electronic calculator or the digital wristwatch come immediately to mind. Historically, we find that the increase in productivity occurred in almost every area of production and distribution. Surely no economist would view this as a "bad" development. Yet, they seem to think that a "declining price level" is not good.

Milton Friedman proposes that the government should expand the money supply at a slow and steady rate in order to prevent a declining price level. Some economists couch this argument in terms of increasing the money supply at the long run average rate of the growth in productivity of the economy, but it amounts to the same proposal. Some economists seem to think that the new, government-printed money is necessary for the economic growth itself to occur; others will tell you that it is to accommodate the demands of labor unions for higher wages, which otherwise might cause some unemployment.

No economist, however, who subscribes to the current orthodoxy of macroeconomic theory is willing to endorse a zero-growth policy for the money supply. Some of them will exclaim that this would cause massive unemployment, another Great Depression, bank failures, and so forth. Others will just dismiss the idea with the words, "That's politically unrealistic . . ." without telling you why—or even how they came to possess their expertise in politics, rather than economics.

If declining prices would be the normal pattern under a free market system, the proposal to increase the money supply in order to keep the average level of prices from declining is in truth *a proposal to nationalize part of the increase in productivity.* Since the newly issued money that is supposed to cause just enough upward pressure on prices to keep them from declining is legal tender, just like the old money that already is folded away in people's pockets, the government that prints it is also the first to spend it, and so the government reaps the fruit of other people's labor. Since this "painless tax" is supposed to keep the price

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level stable, it is assumed that nobody notices. Yet, as we have shown, it is an insidious example of the old "broken window fallacy" because without this new money, prices would fall and everyone would benefit throughout the general society. With the "stable price level" policy, in effect, only the government and its clients can benefit from the growth in productivity.

The Fallacy of the Price Level

The problem of a policy to promote a stable price level is much more flawed, however, than the discussion above would suggest. Economists talk about The Price Level as if it were a concrete, economic phenomenon. At best, however, they are really talking about an index of prices, such as the Consumer Price Index. An index of prices is a statistical sample of various quoted or recorded prices in the economy at any given point in time. Additional samples at later times will tell you if the index has increased or decreased, and this is supposed to inform you about the change in "the price level."

There are two general kinds of price indexes. Since all such indexes are made up of "market baskets" of goods, and since people's purchasing habits change—especially if relative prices change, and they substitute more of a cheaper product for a relatively more expensive one they used to prefer—the price index between two periods of time can either hold the basket of goods constant in Period One and measure its price changes at Period Two, or it can take a basket at Period Two and look back to see what prices were quoted in Period One. The second procedure usually shows a smaller proportionate change. The United States Consumer Price Index is an example of the former. In statistical theory, a very large random sample should be a good measure of the average level of prices in the economy.

The "average level" of prices in the economy, however, is not a very important bit of information (except to journalists). Even the macroeconomists who pretend to place great emphasis on "the price level" have no real use for the information. It shows up in their computer model simulations of the economy as part of their data, but they might just as well have made up the data since their computer models generally fail to predict the direction of the economy or the coming year's index of prices anyway. The price index has as much use to economists as the Dow Jones averages have to the investor: it satisfies a moment's curiosity, but no serious professional would make a decision based on it.

Indeed, for the businessman, the average level of prices is totally irrelevant. What is important for economic decisions is *the relative dif-*

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ferences in specific prices. An entrepreneur might want to know about price changes for a certain type of structural steel, to judge whether to buy steel or aluminum to manufacture a product; but the average price of steel or the average price of aluminum would not help him make this decision, much less the average of all prices. Indeed, the specific price of steel might well include a stipulation about delivery date, location f.o.b., and terms of payment. Moreover, in every case the entrepreneur would be looking for future prices, not the prices of last week or last month, since his plans to make use of the steel are future-oriented.

Resources Reallocated

The policy of the government to issue money, in order to keep the price level from falling with the growth in productivity, can be positively destructive to the efficient coordination of plans that Professor F.A. Hayek identifies as the central purpose of the price system. When the government issues new money, somebody always receives it first—whether it appears in the paychecks of civil servants, or as Social Security payments, or as loans to favored companies, such as the Chrysler Corporation, or as bailouts for municipal bonds, as with New York City.

If the new money goes into the chain of production, then some businesses receive funds to bid away resources from others that might have made better use of them. If the money goes first to consumers, then the demand for consumer goods will increase relative to the demand for capital goods and there will develop a relative shortage of capital. There is no way to predict the full range of distortions in the productive process that could result from the artificial creation of new money and credit by the government, in order to promote a "stable price level." Indeed, as we have seen in the past fifteen years, the result of government policies to stimulate the economy by expanding money and credit have produced a raging inflation as well as a serious economic downturn with significant unemployment.

Ideas Have Consequences

The idea of a stable price level may be at the root of our problems with inflation. Since most people seem to believe that a stable price level is the same thing as "zero inflation," this might be surprising. Yet, the conclusion by professional economists that a stable price level is the optimal policy immediately suggests that the government should do something to achieve this policy—since the free market itself would bring about declining prices. Here we observe a group of "experts" endorsing an active government role of intervention. If any citizen might doubt that government intervention

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into the economic affairs of a nation is good, the solemn, non-political expert will assure him that "it is absolutely necessary."

It is the loss of perspective by the economics profession that is at the root of the problem. The younger economists have been taught that a stable price level is the necessary, optimal policy—rather than a stable money supply. The old professors seem to have forgotten that politics and economics are different fields of expertise, and that economists make bad politicians. An economist who tells the truth is unlikely to be popular, since he has to tell his supplicants that there is no such thing as a free lunch; and an economist who tries to judge what may or may not be politically feasible will end up giving second-best advice, if not worse.

Economic concepts, such as "the price level" and even "the money supply," are dangerous to play with loosely because it is so easy to lose sight of the market process that gives rise to such generalizations. Even a policy objective of "a stable money supply" would be misleading, because it too relies upon statistical measures of money—and omits the many significant substitutes. The only economic policy that has ever "worked" the way politicians and economists expected was the policy of laissez faire, which changed the course of history and lifted mankind out of the dark ages.

IDEAS ON LIBERTY

The Free Market

The free market, by decentralizing the decision-making process, by rewarding the successful predictors and eliminating (or at least restricting the economic power of) the inefficient forecasters, and by providing a whole complex of markets, including specialized markets of valuable information of many kinds, *is perhaps the greatest engine of economic continuity ever developed by men.* That continuity is its genius. It is a continuity based, ultimately, on its flexibility in pricing its scarce economic resources. To destroy that flexibility is to invite disaster.

The myth of the stable price level has captured the minds of the inflationists, who seek to impose price and wage controls in order to reduce the visibility of the effects of monetary expansion. On the other hand, stable prices have appeared as economic nirvana to conservatives who have thought it important to oppose *price* inflation. They have mistaken a tactical slogan—stable prices—for the strategic goal. They have lost sight of the true requirement of a free market, namely, flexible prices.

GARY NORTH, *An Introduction to Christian Economics*

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Henry Hazlitt

The Sphere of Government

Nineteenth Century Theories:
3. *Thomas H. Huxley*

THOMAS HENRY HUXLEY was primarily a biologist, second only in eminence in the nineteenth century to Charles Darwin, whose theories of evolution he defended with such pertinacity and effectiveness that he was popularly known as "Darwin's bulldog." He also wrote on a wide range of other subjects, including scientific method, philosophy, education, religion (he called himself an "agnostic," and invented the term)—and politics.

His views on the proper sphere of government are principally set forth in two essays: "Administrative Nihilism" (1871), and "Government: Anarchy or Regimentation?" (1890).

In the first of these essays, he begins with an unsympathetic description of the opponents of wide-ranging state powers:

"To these opponents, the Education Act is only one of a number of pieces of legislation to which they object on principle; and they include under like condemnation the Vaccination Act, the Contagious Diseases Act, and all other sanitary Acts; all attempts on the part of the State to prevent adulteration, or to regulate injurious trades; all legislative interference with anything that bears directly or indirectly on commerce, such as shipping, harbors, railways, roads, cab-fares, and the carriage of letters; and all attempts to promote the spread of knowledge by the establishment of teaching bodies. . . . According to their views, not a shilling of public money must be bestowed upon a public park or plea-

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Henry Hazlitt, noted economist, author, editor, reviewer and columnist, here continues a series of nineteenth century theories on the sphere of government.

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sure ground; not sixpence upon the relief of starvation, or the cure of disease. Those who hold these views support them by two lines of argument. They enforce them deductively by arguing from an assumed axiom, that the State has no right to do anything but protect its subjects from aggression. The State is simply a policeman, and its duty is neither more nor less than to prevent robbery and murder and enforce contracts. . . .On the other hand these views are supported a posteriori, by an induction from observation, which professes to show that whatever is done by a Government beyond these negative limits, is not only sure to be done badly, but to be done much worse than private enterprise would have done the same thing."

Huxley declares that he is unconvinced by these arguments, or by that "great negative commandment—'Thou shalt not allow any man to interfere with the liberty of any other man.' " He goes on:

"If my next-door neighbor chooses to have his drain in such a state as to create a poisonous atmosphere, which I breathe at the risk of typhoid and diphtheria, he restricts my just freedom to live just as much as if he went about with a pistol, threatening my life; if he is allowed to let his children go unvaccinated, he might as well be allowed to leave strychnine lozenges about in the way of mine; and if he brings them up untaught and untrained to earn their living, he is doing his best to restrict my freedom, by the burden of taxation for the support of jails and workhouses, which I have to pay."

Huxley dismisses offhand the argument that, "If the right of the State to step beyond the assigned limits is admitted at all, there is no stopping." And he blandly concludes: "The Government, being nothing but the corporate reason of the community, will find out when State interference has been carried far enough."

No Fixed Limits as to Extent of Government Action

It is not only modern libertarians who will rub their eyes today at this argument, but the great majority who write on political affairs. It is naive to identify the politicians in office with the community, or to conclude that those who gain political powers can be safely trusted to decide the proper limits of those powers. But Huxley does not hesitate to carry this assertion to its logical conclusion, and to tell us: "I do not see how any limit whatever can be laid down as to the extent to which, under some circumstances, the action of Government may be rightfully carried. . . .The question where to draw the line between those things with which the State ought,

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and those with which it ought not, to interfere, then, is one which must be left to be decided separately for each individual case."

So we are back to "the merits of the case" argument that Spencer had so eloquently derided—an argument which could be finally used to justify the totalitarian state.

Huxley returned to the subject of the proper sphere of State power in two other essays, both published in 1890. The first of these was "Natural Rights and Political Rights." I commend it to anyone who still takes Natural Law or Natural Rights doctrines seriously. Huxley regards such doctrines as the product of "the vicious method of a priori political speculation." Their plausibility depends upon a confusion between two senses of the word "right"—right as might, the "natural right" of tigers, for example, to attack and devour men—and *moral* right, which is utterly different. Huxley's essay is, incidentally, a devastating analysis of the theories of Henry George's *Progress and Poverty.*

But some of Huxley's own deductions combine truth with error. For example: "It is a necessary condition of social existence that men should renounce some of their freedom of action; and the question of how much is one that can by no possibility be determined a priori." The first part of that sentence is almost a truism; the part after the semicolon is a contention that, as we shall see, no freedom-loving democracy today has been willing to concede.

Anarchy or Regimentation

The second 1890 essay by Huxley to which I earlier referred, "Government: Anarchy or Regimentation?" bore directly on the question of the proper province of the State.

In this essay Huxley undertook to examine in turn the answer to this question of practically all the great political philosophers of modern times, up to 1890. Specifically mentioned and dealt with were Hobbes, Locke, Morelly, Mably, Rousseau, Von Humboldt, Dunoyer, J. S. Mill, Stirner, and Auberon Herbert. And he rejected all of them alike (with the exception of Dunoyer) for building their case on abstract a priori assumptions regarding a previous "state of nature" and a subsequent "social contract." Huxley pointed out, however, that this had led them into two opposite camps: on the one hand, that espoused by Hobbes, Morelly, Mably and Rousseau, which justified "Regimentation" (the description suggested by Huxley) and the absolute power of the State; and, on the other hand, "Individualism," which Huxley condemned as equivalent to anarchy. He summed up:

"Thus the whole fabric of a priori political speculation which we have had under consideration is built upon the quicksand of fictitious his-

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tory. So far as this method of establishing their claims is concerned, *Regimentation* and *Individualism*—enforced Socialism and Anarchy—are alike out of court."

And what, then, is Huxley's own conclusion? One would expect him to come back once more to the conclusion of his "Administrative Nihilism" essay of 1871, that "the question of where to draw the line between those things which the State ought, and those with which it ought not, to interfere. . .is one which must be left to be decided separately for each individual case." Perhaps he considers this conclusion implicit, but he does not draw it explicitly. Instead, he is content to tell us that the task which he set before himself was "simply a destructive criticism of a priori political philosophy, whether regimental or individualistic"; and if he has done this successfully, he implies, he has done all that a reader is entitled to ask of one essay.

He goes on to declare: "The political problem of problems is how to deal with overpopulation, and it faces us on all sides." But whether or not this is true, or seemed true at the time he wrote it, it is irrelevant to the problem—the proper province of government—that his essay started out to discuss. No matter what the "problem of problems" is, the question before him was *who* shall have the power to decide it.

Now let us ask whether Huxley did in fact prove that there is no room for "a priori assumptions" or deductive reasoning in political philosophy.

It is quite true that Locke's assumptions, for example, do seem to rest in part on fictitious history. Huxley's sarcasm makes the most of this:

"To listen to Locke, one would imagine that a general meeting of men living in the state of nature having been called to consider the 'defects' of their condition, and somebody being voted to the tree (in the presumable absence of chairs), this earliest example of a constituent assembly resolved to form a governmental company, with strictly limited liability, for the purpose of defending liberty and property," and so forth.

Individualism Attacked

All this is good fun, but it does not prove that Locke was wrong in assuming that "no one ought to harm another in his life, liberty, or possessions"; that it is the province of government to ensure this state of affairs, and that this was a sufficient task to give any one agency the power to carry out.

Huxley certainly carried his attack on "Individualism" and "Liberalism" too far. "Liberalism," he declared, "tended to the adoption of Locke's definition of the limits of

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State action, *and to consider persistence in letting alone as a definition of the whole duty of a statesman.*" (My italics.)

I can think of no eminent Liberal of the nineteenth century, and certainly none holding political office, who ever propounded such a view of his duties as that laid down in the clause I have italicized. Liberals deprecated the piling up of legal prohibitions and compulsions, burdensome taxation, government efforts to redistribute wealth and income, and other specific interventions in economic life, but they believed in enforcing a fundamental framework of law to protect their citizens against fraud, theft, and violence, internal or external. This in itself, if done well, is a tremendous assignment.

Today it is not done well anywhere; because—arguing from "the merits of the case"—too many other assignments are loaded onto the State, designed to save at least some of us all effort and risk. Once we assume that it is a legitimate function of the state to redistribute income, for example, we practically guarantee that the majority of politicians running for office will be charlatans and demagogues, outpromising each other concerning the largess they can provide to the nonproductive part of the population at the expense of the productive.

To return to Huxley's argument: No doubt some of the leading political philosophers did base their theories on fictitious history, or on basic assumptions that were not justified. But Huxley seems to reject all "aprioristic" thinking in politics, which would mean that he rejected any attempt in advance to put any constitutional limits whatever on the sphere and power of the State. He apparently would have been satisfied with a constitution which read, simply: "The government may pass and enforce any law it sees fit, guided only by what it regards as the merits of the individual case; and no part of any citizen's freedom or property shall be respected if a majority of 51 percent or more decide otherwise."

In his thinking in the physical sciences Huxley was a professed empiricist, and suspicious of all mere deduction. Nevertheless, in his book on Hume, we find him writing with approval: ". . .[T]he form of the crest of every wave that breaks, wind-driven, on the sea-shore, and the direction of every particle of foam that flies before the gale, are the exact effects of definite causes; and, as such, must be capable of being determined, deductively, from the laws of motion and the properties of air and water."[1]

The scientific belief in the law of

[1] *Hume*. Ch. VI, "Propositions Concerning Necessary Truths."

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universal causation is based on something more than frequent observance of it in particular cases, plus no certain knowledge of contrary cases. The concept of universal causation is built into our thinking. We can hardly conceive of an effect without a cause. In any case, its prior assumption is necessary for all rational deduction and all rational action.

Established Principles of Law to Prevent Arbitrary Abuse

Perhaps our basic political, legal or moral principles can never enjoy the same type of definitude and certainty as the laws of physics. But the discovery and adoption of such basic principles seem no less necessary as guides in our political, legal, and moral life than the laws of physics in our physical scientific reasoning. We do not leave it to an individual judge, for example, to decide the punishment for each case of fraud, theft, assault or murder—or to decide what actions he is entitled to punish at all—simply in accordance with his own judgment of the individual iniquity of each act. The law has already sought to define and categorize each type of offense and to prescribe minimum and maximum penalties. The principles and definitions of law have been worked out over the centuries, by careful reasoning and respect for precedent, precisely to limit or prevent any capricious or arbitrary exercise of police or judicial power.

The same thing has happened in the evolution of constitutional law. In the United States, neither a city, a state, nor our federal government can enact or enforce any law it sees fit, guided only by "the merits of the individual case." The Constitution, adopted in 1787, assigned the Congress, the President, and the judiciary only *enumerated* powers. And then, two years later, to nail things down, a Bill of Rights was adopted, beginning with the First Amendment: "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble . . ." And so on through nine other amendments.

Huxley should have remembered that. And he should have remembered, also, that though not all modern democratic governments have written constitutions, and England still does not, the English Constitution was even in his own day—one might say especially in his own day—a very real and unmistakable protection against government arbitrariness or tyranny. No less than our own it protected the citizen's freedom of speech, freedom from arbitrary arrest, freedom of religion, and freedom of association.

The English Constitution exists

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in no single document. It is made up of Magna Carta, the Petition of Right act, the Habeas Corpus act, the Bill of Rights and the Act of Settlement. But in addition to all these, it consists of innumerable statutes, a mass of custom and convention, hundreds of judicial decisions and precedents, and even, as the *Encyclopedia Britannica* has suggested, of "textbooks, lawbooks, the writings of historians and political theorists, the biographies and autobiographies of statesmen," and so on.

If Huxley had remembered all this, he would not so disdainfully have dismissed all the proposals of the older political philosophers as "mere apriorism." That all political power tends to be abused, and that absolute power is certain to be abused, might reasonably have been suspected in advance. But even so it is no mere a priori conclusion. It has been forced on us by bitter and endlessly repeated experience.

Exactly where the boundaries of State power should be drawn, is one of the two great problems to which this series of articles is addressed, and which we have still to try to solve. But that they must be drawn by constitutional limitation somewhere, and unmistakably, is one conclusion no longer open to debate. What we have discovered, rather, is that in not a single country today have the existing constitutional limits on government power and interference in the lives of the citizens proved sufficient to prevent untold mischief.

IDEAS ON LIBERTY

The Foundation of Laws

LET the bar proclaim "the laws, the rights, the generous plan of power" delivered from remote antiquity, inform the world of the mighty struggles and numberless sacrifices made by our ancestors in defense of freedom. Let it be known that British liberties are not the grants of princes or parliaments but original rights, conditions of original contracts, coequal with prerogative and coeval with government; that many of our rights are inherent and essential. . . . Let them search for the foundations of . . . laws and government in the frame of human nature, in the constitution of the intellectual and moral world. There let us see that truth, liberty, justice, and benevolence are its everlasting basis; and if these could be removed, the superstructure is overthrown of course.

JOHN ADAMS, 1765

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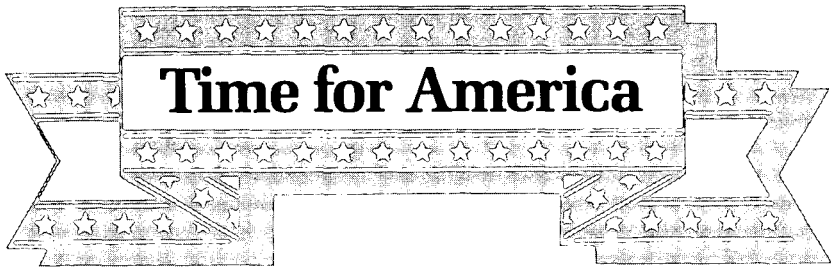
Robert R. Hoyt



MANY believe that time has run out on America, that the leading wave of history has begun to pass us by. Drawing analogies between the current state of America and the declining phases of previous cultures, these fatalists believe that we are destined to live out some theory of inevitable cycles or repetitions in history. They locate somewhere in our past a point at which America reached its pinnacle and began its decline. America's fate, however, has not been sealed by any historical imperative. Men *make* history through creating, witnessing, and recording significant deeds and events. History has not abandoned America; on the contrary, Americans have abandoned their place in history.

At one time, our forebears looked almost exclusively to the past for guidance. Mythical events that had happened in earlier times provided unchanging paradigms for individual and social actions. Having limited knowledge of the world and their place in it, these ancestors did not seek to study or understand history. Instead, they followed what they felt were sacred ways of thinking and acting. In contrast, one of the hallmarks of American thought is our rejection of such deterministic views of historical precedence.

In keeping with our rational, empirical bent, we pore over artifacts, classify them, and then devise various theories to explain their existence and significance. However, our

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scientific evaluations of the past cannot be truly accurate, for we cannot know all of the variables that shaped the events and artifacts we study. Moreover, we carry to our studies of history the situations and forces acting on us today and, as a result, tend to fill in gaps in our knowledge by projecting these situations and forces into the past. Through such projection we actually *create* historical models for current problems and experiences. In effect, we have reversed the earlier view of the past as a repository of sacred paradigms. Rather than use the past to guide the present, we use the present to discover meaning in the past.

Because we can neither retrieve complete information about the past nor fully comprehend the information we do have, history lies open to divergent interpretation. Our widely educated populace, schooled in the veracity of scientific investigation, can understand and accept multiple interpretations of history. Hence, the past becomes a mutable area of theoretical study rather than a fixed template for human experience. This multiplicity of equally valid interpretations brings into question the embracing of any particular pattern of ideals or principles stemming from the past and, therefore, leads Americans to look to the ongoing present for personal and social guidance, as well as for historical understanding.

The mercurial present, though, provides little stability upon which to found guiding ideals. Eschewing the significance of time-honored meanings and portents, we constantly scan the present for events and situations of such import that they can be used to direct our thoughts and actions. This continual search for meaning has resulted in, to borrow a phrase from Wordsworth, "a craving for extraordinary incident, which the rapid communication of intelligence hourly gratifies." As has often been pointed out, the media satisfy this "craving" by treating us to a diet rich in sensationalistic, often titillating, events and crises. That these sensations are in many cases non-events that have been inflated through media hype is common knowledge.

A Glut of Information

With no enduring standard(s) by which to judge significance, we feel uncertain despite our wealth of facts; so we demand more information, which the media readily supply. Of course, it is also to the advantage of television, radio, and other hourly or daily news media to emphasize recent events because one of these media's most highly touted features is the ability to communicate information rapidly—they are anxious to bring us the latest news.

This steady stream of current facts (as well as attendant background

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studies, personality profiles, historical comparisons, human interest stories, critical commentary, and other related reports) provides so many bits of information that current events seem to pass in slow motion and are thereby transformed into an ever-changing, ever-relevant, contemporaneous history. But as views that held great sway one day become erroneous or meaningless the next, this ephemeral history proves an unreliable guide, leaving us isolated in the present without reliable means for organizing the glut of specific, factual information heaped on us daily.

As we project current views and events into the past in our search for historical precedents, we encounter another major stumbling block to our understanding of history. Due to a number of factors, primarily our increased knowledge of the physical world and our inflated material affluence, we have a distorted grasp of large numbers. Where once hundreds and thousands were thought great, millions and billions are now tossed about casually. Historical and geological time tables, which often span thousands and millions of years, are regularly compressed into frameworks we can readily comprehend, such as the lengths of an hour, a day, or a single year. Such compression presents a false, greatly speeded-up view of history. Thus, events that took decades and centuries in the past become analogized to monthly and yearly situations in the present, leading to further distortion of history and reality.

Limited Vision

Focused on the present and deluded in our understanding of history, we attempt to fine tune international developments, economic indicators, social structures, personal happiness, and as many facets of our lives as possible within too small a time frame. In responding to and effecting changes within inordinately short periods of time, we are like the hypochondriac who, feeling not quite right, first takes a laxative to loosen his bowels and then must take paregoric to bind them again. As one quick fix follows another, the body is thrust to extremes with no chance of attaining equilibrium. Such instability creates further alarm until soon the sufferer becomes fixated on panaceas and miracle cures. Intent only on the present, we too readily adopt any measure, no matter how hasty and superficial it may be, so long as it promises immediate gratification with little or no investment on our part. What we find, of course, is that we get what we pay for.

Alienated from the past and finding no stability in the present, we lose hope for the future. Our fixation on instant palliatives has so absorbed our time and resources that

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we have all but ceased to look beyond what is immediately facing us. When we stop planning for and investing in a bright future, as much American industry and many individual Americans have done, we eventually arrive in a present that is beset with genuine crises, a sense of entropy, and widespread personal despair.

To curb our frantic, ill-conceived reactions to events of the moment, to redeem our future, we must redefine and reassert ideals that will provide America with guiding tenets for understanding and action. Such rededication to ideals does not imply a renunciation of facts and specifics in favor of metaphysical or abstract concepts. Rather, it is a reassertion of the healthy relationship between particulars and abstractions, the world of sensations and the world of ideas.

Abstractions and Specifics

Specifics embody abstractions, thereby giving ideals a form that can be perceived—seen, heard, felt, smelled, tasted—in the actual world of experience. In turn, abstractions are needed to relate and give meaning to the sea of individual specifics. Through a reassessment of fundamental American ideals, we can regenerate our past, investing it with particular meaning and significance. Establishing and promoting our stand on these ideals will allow us to make sense of the specific facts and events of the present and to project a defined course of action into the future.

The obvious problem in reasserting American ideals is determining just what these ideals are and what priorities they have among themselves. Our pluralistic society affords Americans the right to aspire to numerous, divergent ideals. Consequently, rather than pressuring for national adoption of any one set of these ideals, we must revitalize our overarching commitment to the freedom of the individual to pursue his or her own chosen beliefs and tenets.

Such an assertion of individual freedom must look beyond our current, reductive interpretation of individual as self. Increasingly, our temporal isolation in the present has been accompanied by a spiritual isolation of the self. With quickening pace the ideal of the free individual united with other free individuals in a government designed to govern least has been usurped by an ethic of the dominant self among other dominant selves each seeking to advance his or her personal cause(s) while restricting the freedoms of others. In the self-centered, dog-eat-dog milieu created by this change, many Americans have sought through the extension and proliferation of governmental control to legislate the sense of solidarity and se-

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curity previously generated through private, yet mutual, dedication to shared ideals.

Restrictions on the Individual

As the government has gained in authority, individuals have felt increasingly threatened and helpless in the face of restrictions sponsored by others; consequently, more powers have been deeded to the government to restrain these others, and the situation has escalated. We must break this cycle of repression by demanding not only our own personal freedom but, more importantly, the freedom of other persons—all who can exercise their individual freedom in compromise with the individual freedom of others.

The key word here is *compromise.* When a neighbor runs his power tools, cuts his grass with a power mower, has a party, or engages in any one of a number of noisy activities while I am working, I get annoyed, even mad. My impulse is to find some way to silence him, to prevent him from ever making such noise again. He is violating my freedom to silence. Of course, when I use my power tools, mow my yard, or whatever, I don't feel the same way—why, they're my tools, my lawn, etc.; I should have the freedom to do whatever I wish on my own property. As for myself, I would like it if he had to be silent and I could do whatever I wished when I wished. Yet, I realize that to preserve my freedom to act, I must not just grudgingly allow, but actively affirm, his freedom to act also. Occasionally, he impinges on my freedom and, occasionally, I on his; in this way we both remain free to pursue our individual interests.

Now, if my neighbor's individual interests ran to raising hogs, rebuilding engines, or opening a skeet shooting range, I would not affirm his freedom to do so. Neither would most of our other neighbors. None of my neighbors, however, acts with such selfish disregard for others. On an individual level, despite our differences, we all get along fine. The fact is that most people get along just fine on an individual level. It is to this individual level that I think we must go to reawaken the spirit of American freedom.

We must reassess how much of our freedom and wealth we wish to place under governmental control. In making this reassessment, we should recognize that when we call upon the government to regulate the activities of others, we are oiling machinery that can serve to repress our own freedoms as well. We should also remember that such repression is not unknown in America. From witch hunts to lynchings to persecution campaigns, America has a history of sporadic, yet virulent, attacks on the freedom of the individual. Therefore, we must decide ex-

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actly where our loyalties lie; upon what fundamental set of ideals will we base our understanding, actions, and dreams—on the American ideal of individual freedom or on some other ideal(s) that will necessitate the suppression of our rights and privileges.

The American experiment in individual freedom and democracy has not outlived its time. Everywhere, people have sought and are still seeking the rights and freedoms we enjoy. Not all, however, do seek such ends; in fact, many prefer some form of master/slave, ruler/subject relationship that maintains their chosen system of ideals. We have always stood virtually alone in our national commitment to the ideal of individual freedom. To preserve the option of this freedom in an often hostile world, we must each promote individual freedom for ourselves and others. With the material and educational development of the Third World, many may soon be afforded an opportunity to experience greater individual freedom than they have ever known. By reasserting the autonomy of the individual on the national and international levels, America can retain its vanguard position in history. Rather than being a time of inevitable dissolution and decay, now—perhaps more than ever—is the time for American ideals.

IDEAS ON LIBERTY

In Defense of the Individual

WE ARE BORN into a family and a community. An immense social heritage is put at our disposal—a storehouse into which has been distilled the contributions of an enormous number of individual men and women, some famous and some nameless. Knowledge, wisdom, skills, and some of the very thought-forms by which we may avail ourselves of this treasure are handed down to us. The problem here is not analogous to rationing a given quantity of goods to a certain number of people; it is analogous to keeping a conduit open so that the spiritual accumulations of previous generations can flow unimpeded, to be enriched through understanding and application by this generation and passed on to those to come. Diminution of political liberty is comparable to the silting up of the conduit; freedom is the removal of obstructions to the flow of energy.

EDMUND A. OPITZ

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Rae C. Heiple

Thinking About Government

ONCE upon a time most people believed the world was flat, but that did not make it so. There were times when learned men believed one might discover a way to turn lead into gold or to build a perpetual motion machine. When I was a child, Mother made me wait an hour after eating before going swimming lest I get stomach cramps.

We all know better today. But did you ever wonder how many things believed today will be absurd thoughts in the future, laughed at even by children? Just for instance, what do we think is the proper role of government in our lives?

The world is a wonderful place. Mankind is on an upward course. Progress, though not constant, seems to be part of the natural order of things. Mother nature goes on unchanged, but people are able to improve their lot. They are able to build tools to increase their effectiveness. They are able to pass both tools and the knowledge to build tools on to future generations, who in turn can improve on the knowledge and build better tools, to pass on, to be again improved. These tools and this knowledge have permitted more and more people to live more comfortable lives with less effort and less pain and less cruelty toward others.

The progress has not been continuous or uninterrupted. It has faltered. Whole continents or areas have regressed for long periods. Who among us can forget the section from our grade school history books about the "dark ages"? But while the once great have gone backward, sooner or later other areas have become new

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centers of learning and development, always surpassing the best that was previously known. China, Egypt, Greece, Rome, Spain—all had periods of rapid progress and subsequent decline. And now in just two generations (the time of our grandparents and parents) the United States has experienced the most rapid development and accumulation of knowledge and tools ever known in the world—a growth that seems to be ending.

The fundamental thing to remember is that the accumulated tools, the accumulated knowledge, and the passing of this accumulation on to succeeding generations is what has permitted man to improve his lot in life.

The Rise and Fall of Nations

The Western world of Europe and the United States today is exhibiting some of the signs that were evident in China, Egypt, Greece, Rome, and Spain prior to their decline. What is the common thread of the ascendance and decline of great civilizations and nations? What can we learn from history? Why is there rapid progress in some areas and little in others? Climate, fertility of the soil, natural resources, intelligence of the people does not explain it. Why do some areas once blessed with rapid progress slow down and even decline? Natural catastrophe such as flood, earthquake, or even war is not the cause. The common thread somehow seems to be the manner in which the people are motivated; how hard they work, not how smart they are; how they perceive opportunity.

What causes people to work, and to save part of what they produce in order to build a better tomorrow; and what causes a people, once they are working and saving and passing on their accumulated knowledge and tools, to stop or reduce their saving and thus bring an end to progress? This is the important question. And the answer is known. We know what causes men to work, study, produce, invest, save, and help succeeding generations continue the development and progress of man. It is no secret. Some men have known it for thousands of years. It's simple.

Before coming to that answer, we must face a second and more difficult question: "If the answer is so simple why don't we do it?"

What is involved here is a matter of human nature—the natural behavior of man. It is the natural desire of everyone to get the most he can with the least effort. We are all the same. You and I both desire to accomplish the most benefit with the least effort: and this includes the willingness to live off the labor of another without work if we can do so without shame or loss of pride. This is the answer to the second question. We have not yet learned a

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way to restrain the temptation of man to enjoy a life of ease at someone else's expense.

The Destruction of Incentives

The Chinese civilization began its decline when the governing officials began to take more and more of the work product of the common man to support the privileged class. The man who produced the crops and clothing, shelter and transportation had less to spend on himself and his family, less incentive to work, and less property to pass on to the next generation.

Egypt declined for the same reason. The government grew and began to take a larger portion of the producer's efforts to support the nonproductive. More and more people became privileged to live at the expense of another. The government built pyramids to put people to unproductive work. The pyramids were simply relief projects which expanded the number of people who were privileged to live off the productive work of others. The Bible tells of Joseph and the ever-normal granary to store grain in good years. This was simply a subsidy to the privileged at the expense of others. The privileged were the farmers whose grain was purchased by the government at higher than market prices. The rest of the population suffered the consequence of higher priced food.

History seems to repeat itself. People develop a government to guarantee protection of property, which causes prosperity; then government increases the tax burden to permit more and more people to live off the labor of others until the incentive to work and to save is reduced, less and less is passed on to the next generation, prosperity ebbs, and finally the government falls. In fact, the fall of government seems to be part of the natural order which permits man's progress to continue. The work and productivity of individuals were the keys to progress. Government, by protecting property, created a social condition conducive to such progress. But in granting privileges to particular persons and classes, instead of being an institution to protect property, government itself becomes the main threat to life and property.

Look at Rome. The number of people supported by taxes kept increasing and the number of people performing productive work kept falling. Even slavery could not support the large numbers of nonproducers and that was the end of Rome.

Spain's period of development and progress ended similarly, but under the additional handicap of the large amounts of gold and treasure stolen from the Indians of the new world. The effect of the gold was to increase the powers of government, create inflation, and cause more and

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more people to attempt to live off the productive labors of others until the decline became unstoppable.

The Principle of Least Effort

It is human nature to attempt to get the most we can for the least effort. This is an advantage so long as it makes us more efficient or productive in our own labors. But it is disastrous if it turns us to seeking benefits at the expense of *another's* productive labors.

If we can shell a bushel of corn in an hour by hand but can use a machine to shell 25 bushels in an hour everyone has benefited—the machine maker, those of us who use the machine, and the persons who buy our corn—all are able to share to some extent in the saving of effort. But assume that A and B who are in control of government put a tax of two pounds of corn for every bushel shelled by a mechanical sheller. The tax is a hindrance. It tends to reduce the number of machines that may be sold, the profit of the machine maker, and the profit of the farmer shelling the corn. It tends to reduce the supply of corn, the standard of living and the ability to pass on capital to future generations.

But this is only the beginning of the evil. What are A and B going to do with the corn tax? Suppose they use it for their own riotous living? Is this right or wrong? Is it beneficial to society? Suppose they take it for distribution to the "needy"—surely a noble-sounding purpose. But who are the needy, what constitutes need, who is to decide? Does this change the effect on the farmer or society? Has any real good been done? In light of the natural human tendency to get the most one can with the least effort, will the recipient of the free corn be more inclined or less inclined to work for his own well-being?

The answer is obvious: He is going to be less inclined to work for his own well-being. While no one can say which particular individual will be "needy" as a result of the free corn dispensing, we can say with certainty that there will be more "needy" after free corn distribution is commenced than the number of "needy" before. A subsidy increases the size of the group being subsidized.

When the human trait to get the most with the least effort involves Needy N acquiring some of the work product (shelled corn) of Farmer F, it is to the questionable benefit of N and is to the detriment of Farmer F and everyone else in society. Needy N has simply obtained the benefit of the corn produced by Farmer F. It is easy to see that Farmer F is worse off. But it is also true that neighbors C and D who get no handouts of corn but pay a higher price—that these neighbors, as well as succeeding generations—are worse off as a re-

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sult of the involuntary transfer of wealth from Farmer F to Needy N.

Confusing the Issue

Here it is that we cross from black and white to grey, from what every thinking person can see is good or evil to the hazy grey areas of where do you draw the line. Whether it is proper for government to take corn from Farmer F to give away is a matter of principle, it can be discussed intelligently and logically, and it is either right or wrong on its own merits. But the minute we inject the needy person N into the consideration the absolute and fundamental question of whether it is right or wrong for A and B to take from Farmer F becomes obscured with the consideration of how needy is N and the relative affluence of Farmer F. Do you give it to N if he is completely incapacitated and bedridden, deaf and blind, blind only, almost blind, has a serious limp, is somewhat of a clumsy fellow and people won't pay him much, has six children, is a drunkard, has slow blood, is lazy? And how do the above considerations become altered if Farmer F happens to be blind in one eye and has a crippled arm but is still able to farm and support a wife and eight children? How does one assess the relative merits of Farmer F and Needy N?

Even more important, who should determine those relative merits? And who should pay the benefit? Does it make a difference if the one deciding the need is different from the one paying? Will A and B make the same decision as to who is needy if they are giving their own corn instead of giving the corn of Farmer F? In short, there are so many variables that no two people will agree. Once the basis of the decision shifts from the fundamental of right or wrong to whether you or others feel sorry for someone, society is thrown into turmoil, disagreement, dissension, and discord. Personal acts of charity and compassion are modified and government may become more hindrance than help to the needy.

In considering the impact of the relief payment on Needy N, we must bear in mind the many kinds and degrees of need. Needy N may be both mentally and physically incapacitated requiring confinement in an institution. This is the one extreme of an endless variety of "needy." Let us however take the case of Needy N who simply has no motivation or ambition and won't work—not that he can't work but that he won't work at a job he doesn't like or one that doesn't pay very much so long as he can get relief. Is the relief really helping this Needy N and his family? We seem to focus our attention on the material well-being of N and his family and to ignore the psychological and mental

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well-being of N or the other family members. We also forget the way that relief will affect one's incentive and desire.

Killing Self-Respect

Most of us take some pride in fighting the battle of life and being able to support our family. It is a real accomplishment that makes us happy and gives a feeling of being in tune with life. Can the recipient of public aid have these feelings? What kind of lesson do the children learn in such a household? How will they feel about their father? How will the children mature and what kind of responsibilities will they have? Is putting the family of this able-bodied man on relief psychologically beneficial for either the father or the children? The point is that giving someone relief is not necessarily doing him a favor.

For another example, let us assume Needy N has broken his leg (at home). He has no savings, a wife several months pregnant, no relatives, four small children; he is living in a rented house, it is winter, the food closet is empty, and it will be three weeks before he can put weight on the cast to go back to work all day as a mechanic at the local Ford dealer.

Under the above circumstances, should Needy N be helped and by whom? Should A and B in control of government take from Farmer F and give to N? How about letting people who know N do what they feel necessary? Does anyone really believe that N and his wife would go hungry, that the heat would be turned off, that the landlord would throw them out of the house, that the wife would have no one to deliver the baby, that no neighbor, friend, employer, fellow church member, or stranger would come to their aid?

Some Nagging Questions

Is the situation as bad as it sounds? Are we sure N really needs help to the extent that A, B, C, D, E, and F would agree? And how much of the predicament is of N's own making, from which he could learn something if left to his own resources? Why hasn't N laid a little money aside for a rainy day? Shouldn't people know that misfortunes are to be expected? Wouldn't this teach the lesson? Could he not have saved instead of spending for cigarettes and beer? Couldn't N borrow some money? Has he established a reputation of paying his bills—or of trying to avoid people to whom he owes money? Does he have a car or hunting dog or a boat or camera he could sell or a wedding ring he could hock? Shouldn't these things be done before forcing others to come to his aid?

Suppose A thinks N can get along on his own and won't do anything to help? Suppose that B, C, D, and E

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think differently? What is to stop them from helping N on their own? Do they need A? And how much will B, C, D, and E help, and will they agree? Do they pay the rent, gas, electricity, groceries, and doctor bill—or only some of these things? Are cigarettes and beer to be included in the groceries? Do they pay N's rent even though the landlord wouldn't throw him out? Do they pay the bills now that could be postponed until N gets back to work? It gets complicated. People can and do have differences of opinion.

What it all boils down to is the trait of human nature to get the most for the least effort. As applied by an individual in his own productive work, it is proper and correct and works to the good of everyone. But when it comes to getting some of another's productive effort, it is not necessarily to the good of the recipient, or the giver, or a stranger to the transaction. We all have differences of opinion and no one can be sure he is doing more good than harm in giving someone something. The only thing certain is that once the privilege is conferred to receive a part of another's property, the number of people who enjoy this privilege grows and grows and peaceful production and trade are disrupted.

So the answer to the question of what causes progress, what causes man to work, study, produce, invest, save, and pass on part to succeeding generations is simply the right of man to enjoy the benefits of his labor. Where government has thus protected and defended life and property, the conditions have been established for the great civilizations of the past. Man was encouraged to work to produce the most he could with the least effort, and by working hard to help himself and his family he also benefited all other people in the society and the future generations to come.

Government Perverted

And what caused these civilizations once great and prosperous to decline and fall? The answer was the failure of government to protect the working man in his right to the benefits of his work. Government in fact became the principal violator of the worker's rights to property. Instead of protecting the worker from theft, government in effect became a thief, taking part of his earnings or savings by taxation and inflation, in order to give it to the privileged. When the number of privileged was small and the taxes small, the effects were small. But when the number of privileged grew and the taxes grew, there was less incentive to work and the ability to save and pass on part to succeeding generations was diminished.

So it was an over-reliance on government which caused the downfall

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of the great civilizations of the past. It made no difference whether the government was a monarchy or a dictatorship or a republic. The form of government was not important. The loss of a worker's property through taxation was the cause of the destruction of the civilization. It matters not that the purposes may have been noble-sounding or humanitarian and the privileged were thought to be needy and unfortunate. The loss of private property rights meant the destruction of the society.

In summary we can conclude:

1. Man attempts to work as little as possible to improve his condition in life as much as possible. If he must work to get what he wants he will work; if he can get what he wants without working he won't work.
2. A government that protects man's property from theft creates a social condition of incentive and reward, causing each man to work and thereby creating prosperity and progress for society at large.
3. A government that permits man's property to be taken by others or by government itself (even though it be for relief to the needy) creates a social condition that reduces incentive, reduces the reward for working, and thereby retards prosperity and progress.

This is not the generally accepted belief today, but the world is progressing and learning.

My mother's generation thought eating before swimming would cause stomach cramps. My generation thinks government transfer payments are a social good. I hope the next generation learns as much about the proper role of government as my generation has learned about swimming and cramps. The progress, prosperity, and well-being to flow from this simple understanding would stagger the imagination of the supreme optimist.

IDEAS ON LIBERTY

Thomas Babington Macaulay

EITHER some Caesar or Napoleon will seize the reins of government with a strong hand; or your republic will be as fearfully plundered and laid waste by barbarians in the twentieth Century as the Roman Empire was in the fifth;—with this difference, that the Huns and Vandals who ravaged the Roman Empire came from without, and that your Huns and Vandals will have been engendered within your own country by your own institutions.

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Ingrid Rottinghuis

On Manipulating Others

If we believe that no man should live under the dominance of another, we must be able to recognize signs of subtle manipulation of human beings in ourselves and others. Sometimes as we manipulate or are being manipulated, we may vaguely sense what is going on, but do not consciously realize the implications.

Among our most important human relationships are those with our marriage partner, our children and our friends.

Aren't we all familiar with the situation where a person tries to leave a party early, for whatever personal reason, but meets ardent protests? "You can't be the first to go home and start breaking up the party! Come on, be a good sport, have another drink, stay with us!" Apparently, our host is warm and hospitable. On second thought, we may be dealing with an overbearing person who manipulates others by vaguely suggesting that the leaving guest is more of a kill-joy or spoil-sport than a friend.

When we are imposing extremely high standards on our child and expect excellent performance in all fields, we may think that we are encouraging him to unfold his potentiality. But we may be unknowingly brutal in our great expectations and we may be displaying a deep disrespect for him as a person. We have the power to manipulate a child, by giving love and approval, or by withholding it. We may, in the process, be directing his life into "serving his parents' desire" for his greatness, thus building a compulsive perfectionism into the child's character.

We also should learn to recognize the means by which our children try to manipulate us into catering to

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them. Is our child really too young to learn to tie his own shoelaces, or are we being manipulated by what seems a charming display of helplessness or cuteness? Children are clever at the "art of manipulation" and discover in infancy what kind of behavior will make us run to their rescue. We have to care for our children and attend to them; but we also have the responsibility of raising them toward independence.

Do we borrow sugar from the neighbors because we are too lazy to run an errand, or do we restrain our borrowing habits, which may be imposing on others? And do the neighbors send their children to us whenever they want their hands free? "You are such a wonderful mother! My children adore you and love to play with your youngsters on that marvelous equipment in your yard. You really have a way with children. Of course you have more time for them, while I have my hands full with four small ones." Are we being paid a compliment, or are we flattered into carrying another person's load?

Perhaps a wife wants to apply for a paying job when her children have reached school-age. Her husband discourages her in every possible way, by pointing out that he has a handsome salary and that children sometimes do have colds and other ailments, or snow-days off from school. Does she have a concerned husband? Chances are that he may indeed be very concerned for the children, and that he is offering to be financially responsible for her, so that she can enjoy a luxurious life. But it may be that he unconsciously resists the idea of a financially independent wife, who unfolds her talents outside the home, instead of being always available to serve the family, to make their beds, iron their shirts, cook their meals. Maybe he is manipulating her by using the children as an excuse, instead of helping find solutions for snow-days and sickness and encouraging her to build a life of her own.

Libertarian philosophy can have far-reaching implications!

A wife who urges career ambitions on her husband might be motivated by the noble wish for him to unfold his talents. Or, again, she might be manipulating him into competing with the Joneses.

Do we have the courage to give a friendly but firm "no" to aggressive fund-raisers on the telephone or on our doorstep, or are we manipulated into giving our money out of fear of being disliked or appearing avaricious?

And can we take "no" for an answer, without offense, when others turn down our demands?

Are we our own master, or the slave of public opinion or inner compulsion?

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Do we respect the fact that other people want to be their own master, pursue self-interest and live by their own values and that our friends and relatives are not living on earth just to do us favors?

A voluntary and friendly exchange of services is a nice way of cooperation as long as we do not take each other for granted or think in terms of duties. A grandmother may be very willing to babysit for us, but it is not her duty.

Even the tiniest infant, who is completely dependent on us, has a "self" which should be respected. If we lift our baby from its cradle for every admiring visitor, we disrespect the child's need for undisturbed sleep. A child is not an object, not our property.

Equality does not mean that children have a right to unrestricted freedom. We often mistake license for freedom. While trying to be "modern" parents, we sometimes tolerate children with deplorable manners, loud demands for attention and tantrums whenever they are refused something. Dr. Rudolf Dreikurs writes in his book, *Children: The Challenge*: "Equality means that people, despite all their individual differences and abilities, have equal claims to dignity and respect."

This word "people" includes children, the very aged, the handicapped and all those who cannot be expected to live without our help and guidance.

People who cannot live "free" under the authority of their own self-discipline, because of mental disability, immaturity, senility or whatever other reasons, cannot make a claim to the same amount of freedom enjoyed by mature and responsible citizens. But they do have a claim to dignity and respect and such freedom as they can handle, such degree of independence as is within their limits. In that sense, "equality" stretches out to include those who *have* to live under the authority of others.

Authority can be wise leadership and counseling, respectful of the human nature, the *individual nature*, of those under guidance. Authority can also mean overbearing dominance, which must lead to rebellion and an urge to break away from authority.

The book I've quoted, *Children: The Challenge* by Rudolf Dreikurs, M.D., and Vicki Soltz, R.N. (Hawthorn Books, Inc.) is one I've found especially useful as a guide in helping children grow toward adulthood, responsibility, self-respect and respect for others. Beyond that, it has challenged me to review my relationships with all fellow beings. To be free of manipulation by others, we must refrain from manipulating their lives.

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THE WAR AGAINST PROGRESS

In the old days we used to start things and clean up afterwards. Now, for fear that there might be something unforeseen to clean up, we argue interminably. It is coming to take ten or more years to get "yes" on a project, and even then the possibilities of court action are not exhausted. Herbert E. Meyer calls it *The War Against Progress* in a book of that title (Storm Publishers, Inc., 4 East Main St., Box 252, Middletown, N.Y. 10940, 195 pp., $11.95). He can't quite bring himself to recommend going back to the old ways, but he does think a happy medium could be struck.

The difficulty of reaching a happy medium is that the war against progress consists of hundreds of battles that seem unconnected. As Mr. Meyer says, no single battle is especially dangerous by itself. But when the battles are all added up, the wallop is significant. Mr. Meyer likens it to a bleeding that comes from a thousand tiny cuts. It could kill a man.

Mr. Meyer describes some of the single battles. There is a fierce one now raging in Alaska. Since Alaska is relatively unpopulated, its citizens don't have much argumentative clout. The federal government owns most of the land, and the rules can be made by a distant landlord. Environmentalists in the lower forty-eight states who will never visit Alaska can set the tone in Washington, D.C. So we have a bill that would set aside 125 million acres of Alaska territory for parks, national forests, wildlife refuges, scenic rivers and plain "wilderness." This latter is a special category that would prohibit the building of roads of access, so not even the hardiest outdoorsman would have much of a chance to taste a bit of wilderness life.

What the enthusiasts of caribou and grizzly bears do not see is the

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connection between maintaining 100 percent environmental purity in Alaska and the future spread of urban slums in the lower forty-eight states. Geologists think there might be billions of barrels of oil under the Arctic National Wildlife Refuge. There could be trillions of cubic feet of natural gas. Mining companies have already discovered a multi-billion-dollar deposit of copper, lead and zinc in wilderness territory in the western Brooks Range. The oil of Prudhoe Bay, which the environmentalists kept us from getting for ten years, could be a mere foretaste of what Alaska might contribute to the health and prosperity of the western world. Without new energy sources and industrial raw materials, wars and depressions loom. And urban slums grow in depression climates.

You could forget the need for Alaskan oil and gas if atomic plants were on the increase and coal technology had an unimpeded run. But the "separate battle" against the use of atomic energy has resulted in a temporary victory for the No More Nukes forces. As for coal, there is enough of it in the United States to run our power plants for hundreds of years and to provide a life-sustaining surplus for western Europe. Moreover, coal can be turned into gas and a methanol that could run automobiles. Everything on the coal front lags, however, as worries about sulfur in the atmosphere and the possible warming effects of a "greenhouse" condition are debated. Wyoming and Montana cattlemen don't like the idea of a new Pittsburgh being built on the rich reserves of local coal that can be easily strip-mined. And in Colorado, skiers and forest rangers take a jaundiced view of a new molybdenum mine that will, if and when it gets going, solve many of the alloying problems of American industry.

A Suggested Strategy

Politicians who are kept in power by local interests find it safer to reflect local prejudices about the building of a new refinery or opening up a new strip mine in the neighborhood. The sum total of a lot of local "noes" make it difficult for a national "yes" ever to prevail. Mr. Meyer has no magic formula for changing this. He thinks the tide of the separate battles won't be reversed until there is a coalition of businessmen and labor leaders willing to volunteer as the natural leaders of a still unformed army. He sympathizes with executives and union officials who have been loath to stand up in the past—"no one," he says, relishes being "mowed down by the guns of an advancing army." We have been living through a time when reticence has been the better part of valor. But the time has arrived, he says, "to climb out of the

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trenches and to lead a forward charge." It is now or never.

If nobody can say "yes" in the United States, what will happen to the rest of the world? The Cold War will swing toward a victory for the Russians. This will not help the Third World: Communism has nothing worthwhile to export. Other nations—France, Japan—may be saying "yes" to nuclear plants making use of breeder reactor fuel, but the Free World needs a strong United States to lead it.

For one thing, says Mr. Meyer, the U.S. is the linchpin of the world's communication system. The International Tele-communications Satellite Consortium, which has established communication links to parts of Asia, Africa and South America that could have been opened up in no other way, is a product of the U.S. space program. The domestic communications of Canada and Indonesia depend on hooking up with U.S. produced satellites.

A Call for Leadership

"There is not the slightest possibility," says Mr. Meyer, "that any of our country's allies could fill the various gaps—military, economic, communications, cultural—that would be created by the destruction of the U.S. All of our allies put together have less military firepower than we have. All of their economies put together are weaker than our own. All of them combined lack the satellite-communications technology that we have. All of them combined do not equal a culture as dynamic, productive and creative as our own . . . We and we alone have the power. We have the broadest shoulders."

If the U.S. were to succumb in the "war against progress," it will trigger destruction everywhere. Brazil's newest industries would collapse without our computer technologies. Nigeria and Mexico need us as a market for their oil. A major part of Canadian industry would go bankrupt if there is a bad U.S. tailspin. Meanwhile, some of our allies are having troubles of their own with the anti-progress termites. It took the Japanese twelve years to open up their new international airport outside Tokyo at Narita.

Mr. Meyer's book deserves a wide reading. It makes a few mistakes: Samuel Slater did not build an engine factory, as Mr. Meyer says on page 27, he built textile mills from his memory of Arkwright models. But flyspecks are minor. The impact of the book could be devastating if it could only be circulated among those industrialists and labor leaders who have been elected by Mr. Meyer to change the no-growth climate that has afflicted us now for almost a generation.

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A new public opinion must be created privately and unobtrusively. The existing one is maintained by the press, by propaganda, by organization, and by financial influences which are at its disposal. The unnatural way of spreading ideas must be opposed by the natural one, which goes from man to man and relies solely on the truth of the thoughts and the hearer's receptiveness for new truth. . . .

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